

GUPTA, MEGHA, Ph.D. Corporate Social Responsibility in the Global Apparel Industry: An Exploration of Indian Manufacturers' Perceptions. (2012)
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The purpose of this study is to explore perceptions of corporate social responsibility among Indian apparel manufacturers. In last few decades, corporate social responsibility (CSR) has marked its importance in scholarly research as evidenced by an increasing number of articles and journals dedicated to the topic (Dirnach, 2008). This increase in popularity is a result of globalization and international trade (Jamali & Mirshak, 2006), as the era of globalization has meant that many apparel retailers do not own production factories, but have divested their manufacturing in favor of outsourced production. Availability of inexpensive labor and low production costs make developing countries attractive outsourcing locations. For this reason, India is emerging as one of the major players in the global apparel supply chain. The country's textile and clothing industry contributes significantly to its export earnings, comprising approximately 14% of its total industrial production (Ministry of Textiles, 2009). This sector employs about 35 million people, making it the second largest provider of jobs in India after agriculture (Ministry of Textiles, 2009).

A qualitative research design was employed, and a multi-method approach, including depth interviews, observation and secondary data was used to collect data in India. Twenty-six industry professionals working in the Indian apparel industry were interviewed, including 20 males and 6 females. Participants' job titles ranged from merchandiser, designer, and production manager, to divisional merchandise manager.

Five factories in New Delhi and the Neighboring Capital Region were observed and eleven Indian apparel manufacturers' websites were reviewed for CSR-related content. Data were analyzed for commonalities and differences that surfaced across participants' experiences, which were then used to structure a thematic interpretation. Seven key issues help to define CSR and articulate its role in the Indian apparel sector: (1) *What is CSR?*, (2) *Benefits of CSR*, (3) *Challenges of CSR*, (4) *A Question of Responsibility*, (5) *A Matter of Size*, (6) *The Role of Auditing*, and (7) *Moving Forward with CSR*. The Normative Stakeholder Theory and the Three Domain Model of CSR were used to guide the analysis and interpretation of results.

Results indicate that Indian apparel firms are gradually moving toward implementing CSR, but that full integration is happening very slowly. India has emerged as a major hub of apparel production within the global supply chain. Despite the growing demands for corporate social responsibility, little research has been done to understand its role in developing countries such as India. This study is one of the first to focus specifically on the labor intensive Indian apparel industry as a context for CSR and to examine what CSR means in India today. As such, it provides a real-world understanding of the benefits and challenges involved in implementing CSR in a non-western country, while pointing to the need for more research on the importance of CSR throughout the entire supply chain.

CORPORATE SOCIAL RESPONSIBILITY IN THE GLOBAL APPAREL
INDUSTRY: AN EXPLORATION OF INDIAN
MANUFACTURERS' PERCEPTIONS

by
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CHAPTER I

INTRODUCTION

Are perceptions of corporate social responsibility the same across the global apparel supply chain? What do suppliers think about corporate social responsibility? What might suppliers gain by implementing socially responsible practices? These are just a few questions in need of exploration in order for the concept of social responsibility to be addressed across the global apparel supply chain.

In this dissertation, the notion of corporate social responsibility is examined from the perspective of suppliers, and particularly that of Indian apparel manufacturers. Generally defined as the commitment of business to contribute to sustainable economic development by working with employees, their families and local communities (World Business Council for Sustainable Development (WBCSD), 2000), corporate social responsibility (CSR) has gained a great deal of attention worldwide in the last two decades. This increase in popularity is a result of globalization and international trade (Jamali & Mirshak, 2006), as the era of globalization has meant that many apparel companies do not own production factories, but have divested their manufacturing in favor of outsourced production (Hale & Wills, 2005).

Krishnamoorthy (2006) defines globalization as “the increasing interaction of domestic economies with the world economy” (p. 23). Globalization has been established and promoted through both “producer-driven” and “buyer-driven” global commodity

chains (Krishnamoorthy, 2006, p. 26). Producer-driven commodity chains are primarily capital-intensive durable goods industries, such as automobiles, computers, aircraft, and electrical machinery (Gereffi, 1994). In contrast, buyer-driven chains produce non-durable, labor-intensive goods such as garments, footwear, and toys (Gereffi, 1994).

Globalization allows for the production process to be divided into multiple, geographically separate steps. Typically the steps involved in production, or the more labor intensive stages, are located in developing countries because of the availability of inexpensive labor and production costs (Krishnamoorthy, 2006). Developing countries benefit, however, as this brings foreign investment to the country, thereby supporting the country's economy (Hale & Wills, 2005). It is important to note that, though globalization has brought many jobs to developing countries, the working conditions of those jobs have been less than desirable (Krishnamoorthy, 2006). As a buyer-driven commodity, apparel retailers have more control over the supply chain, thereby giving them the opportunity to bargain with suppliers. In order to compete, and thus to survive in the global market, suppliers will often cut costs at the consequence of working conditions (Linfei & Qingliang, 2009).

The apparel industry is very labor intensive. Due to rapid style changes, the competition to produce inexpensive clothing with tight deadlines is high. Factories push the workforce hard as the pressure to decrease the cost of production means decreased labor cost (Dirbach, 2008; Manicandan, Mansingh, & Kumar, 2006). Many developing countries are seeking to reduce production and labor costs out of necessity due to retailer

demands, and not because of the rigidities or regulations of the local labor market (Manicandan, Mansingh, & Kumar, 2006). This is the case in India, where, like other developing countries, labor costs are low.

Exports from India

In the post-quota period, India has emerged as a major sourcing destination for international retailers and brand companies, as its textile and clothing industry has showed steady growth in recent years. In 2005-06, Indian textile and clothing exports grew steadily, continuing into 2006-2007 (Ministry of Textiles, 2009). In 2007-2008, Indian exports saw a 2.76% growth, while in 2008-2009, the economic downturn affected exports, but the sector managed to report a small growth rate of 0.12% (Ministry of Textiles, 2009). Ready to wear garments accounted for approximately 41% of the total share of exports (Ministry of Textiles, 2009).

The size of the Indian market, its location, the availability of significant natural resources, and a population of highly educated and skilled workers makes India an attractive production location for global businesses (Banks & Natrajan, 1995). In terms of world apparel exports, India ranks sixth after China, Hong Kong, Italy, Germany and Bangladesh (see Table 1).

Table 1

Apparel Exports to the United States (In US Dollars).

Exporters	Exported value in 2006	Exported value in 2007	Exported value in 2008	Exported value in 2009
World	303839216	343004304	360590864	318615072
China	88620748	108881112	113367592	100479288
Hong Kong, China	26734245	27276882	26487706	21796434
Italy	18806393	21710862	23579082	18426901
Germany	13056684	15055569	17062043	16438899
Bangladesh	8252021	9323248	13456441	13890652
India	9015071	9373360	10265051	11312016
Turkey	11649259	13467746	13154792	11222803
Vietnam	5417122	7204001	8499751	9476374

Note: Adapted from comtrade statistics, <http://comtrade.un.org>

Although total world apparel exports to the U.S. has decreased over the years, India's exports of apparel increased. As shown in Table 1, total apparel value exports to the U.S. in 2009 declined as compared to previous years. However, Indian apparel exports increased year after year. From 2006 to 2007, India's apparel exports increased by 3.8%, which continued in 2008 with an 8.6% increase in export values. In 2009, Indian apparel exports increased by 9.2% over 2008 and India exported 3.5% of the total world apparel exports, securing sixth place among apparel exporters to the U.S. It is evident from these numbers that India is emerging as one of the major players in the global apparel industry and plays a crucial role in the supply chain.

The Global Apparel Supply Chain

India's role in the supply chain is largely that of garment production. Yet there are several layers to the supply chain and various stakeholders involved, making it multifaceted and complex in nature. According to Freeman (1994), stakeholders are

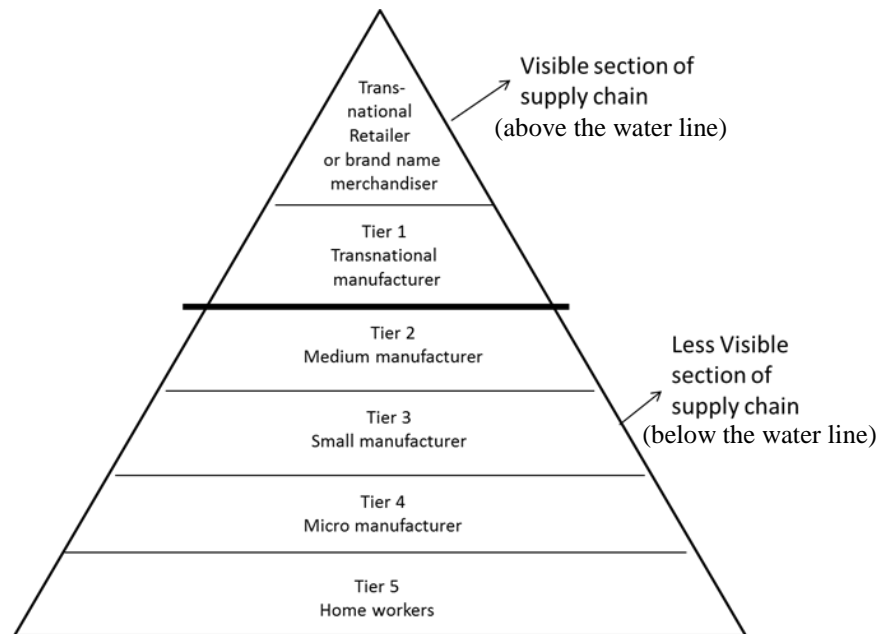
external or internal groups of people who have an impact or are affected by a firm's achievements and thus have direct or indirect interests in its performance. In regards to apparel firms, Dickson, Loker and Eckman (2010) identified a number of different stakeholders. These stakeholders are workers who are responsible for sewing and making the product, labor unions who are responsible for protecting workers' rights, government and intergovernmental organizations who ensure the welfare of citizens and workers, and advocacy organizations who work closely with workers and other marginalized groups to improve their working and living conditions. Other important stakeholders are consumers who buy the products and pressure groups who are responsible for educating consumers about social issues and waging campaigns to impact businesses. Finally, financial markets and investors have the power to influence companies' policies and corporate governance, however all stakeholder groups play an important role in the process (Dickson, Loker & Eckman, 2010).

Hale and Wills (2005) explain the structure of the apparel supply chain using what they call the "Iceberg Model." As shown in Figure 1, the topmost part of the iceberg consists of transnational retailers and brand owners such as Gap, Inc., Hollister, Ann Taylor and Nike. Just below that is Tier 1, which consists of transnational manufacturers who are closest to the brand owners and retailers. These manufacturers dominate the garment industry at the national level due to their large size and international connections (Hale & Wills, 2005). According to Hale and Wills (2005), most of these companies are the major producers of leading foreign brands and produce very little for domestic consumption. Since these manufacturing units are often showcased for audits and

inspected by buyers, factory working conditions are usually good (Hale & Wills, 2005). Second tier garment producers do not have international connections like Tier 1 manufacturers. These factories mostly subcontract orders from Tier 1 companies, but they also produce for the domestic market. Tier 2 factories do not have a lot of power in the supply chain and factory working conditions are generally poor compared to those in Tier 1 (Hale & Wills, 2005). Tier 3 and 4 is a mixture of small factories, workshops and groups of workers operating out of someone's house (Hale & Wills, 2005). Members of these tiers have very little power in the garment supply chain and are completely dependent on orders coming from the above tiers. This means they do whatever their subcontractors ask them to do. Working conditions and safety measures are not very good and are often less than desirable. Tier 5 consists of home workers and is the bottom of the iceberg. Home workers are "individual workers working from their homes, as distinct from home based units where a few workers are found working from someone's house" (Hale & Wills, 2005, p. 104). This tier produces goods for exports as well as domestic markets, and exercises the least power in the supply chain. Home workers are paid less as compared to workers in factories and most of the time the work should be done in factories but is instead subcontracted to home workers. Hale and Wills (2005) provide an example of this, wherein home workers were stuffing down-filled jackets with goose feathers and were not wearing masks. The workers risked inducing allergies and breathing difficulties, yet the factory itself was able to maintain compliance with health and safety requirements.

As depicted in their Iceberg Model, the most visible relationship is that of the transnational retailer and the Tier 1 transnational manufacturer. Their alliance is very structured, relatively stable and transparent. In contrast, manufacturers below the water line do not generally have structured and formal business ties with manufacturers above the water line. Since these companies often lack formal structure, they are not a visible part of the supply chain. That is, lack of documentation makes it difficult to track who they do business with and any contract guidelines. In India, most apparel manufacturing units are small and medium size enterprises (SMEs) and therefore fall within the less visible section of the supply chain, or Tiers 2-5 (Kula & Tatoglu, 2003).

Figure 1. The Pyramid/Iceberg Model of the Supply Chain.



Source. Adopted from “Threads of labour: Garment industry supply chains from the workers’ perspective” by A. Hale & J. Wills, 2005.

Development of the Indian Apparel Industry

Although India has a long history of skilled tailoring, the Indian garment industry was almost non-existent prior to the 1970s. In the 1970s, the Indian garment industry grew significantly and the country started exporting to Africa and the Soviet Union (Krishnamoorthy, 2006). Clothing multinationals from developed countries who were sourcing from Korea and Hong Kong soon realized the advantages of sourcing from India, but at that time there were restrictions on imports from developing countries in the form of quotas imposed under the Multi-Fiber Agreement (MFA) (Mezzadri, 2008). The MFA prevented imports of apparel in large quantities. The MFA has since been terminated and now there are no restrictions on imports from India to the U.S. (Krishnamoorthy, 2006). Obviously this has resulted in a significant amount of growth in India's apparel industry, which has also resulted in the growth of its apparel sector employment.

Indian garment exporters operate their own production facilities and use subcontractors and/or temporary workforces (having migrated from different parts of the country) on a regular basis. This combination of sub-contract use and migrant labor provides Indian exporters with an inexpensive and flexible workforce. According to Kanna and Papola (2008), there are two workforce sectors in India: formal and informal. Workers in the formal sector are mostly engaged in work for a commercial firm which must adhere to legal regulations. In the informal sector, workers mostly work for exporters out of the home, doing hand work such as embroidery. The informal sector is

considered the invisible part of the global apparel supply chain, or the bottom of the iceberg and under the water line (Hale & Willis, 2005; Mezzadri, 2008).

With continued economic development, in most countries it is expected that over time, the informal workforce sector will decrease and emphasis will shift to the formal sector. However, this is not the case in India. In fact, to some extent, the informal workforce in India is increasing (Kannan & Papola, 2008). According to the National Commission for Enterprise (NCEUS), the informal sector consists of “all unincorporated private enterprise owned by individuals or households engaged in the sale and production of goods and services operated on a proprietary or partnership basis and with less than 10 total workers” (Kannan & Papola, 2008, p. 323). In developing countries such as India, the informal sector consists of 93% of the country’s workforce (Bhowmik, 2009). The informal sector generally does not provide good working conditions or job security, making them appealing to those exporters who prefer the flexibility of hiring and/or firing at anytime (Narayanan, 2007). Without considerations of moral or ethical obligation to workers, companies relying on the informal workforce are not expected to adhere to socially responsible business practices. Indeed, the apparel industry was among the first to come under public scrutiny for violation of worker rights (Stigzelius & Mark-Herbert, 2009) not just in the U.S., but in factories throughout the world.

Statement of the Problem

An increase in pressure by the media and consumers has resulted in an increasing number of multinational apparel corporations acknowledging a need to practice social responsibility throughout the supply chain (Stigzelius & Mark-Herbert, 2009). This is

particularly the case among corporations that are engaged in labor intensive manufacturing in low wage, developing countries, like India, where working conditions are not always good (Stigzelius & Mark-Herbert, 2009). Despite the growing demand for responsible business behavior, very little is known about the practice of corporate social responsibility in developing countries (Jamali & Mirshak, 2006) and particularly that of Indian apparel factories.

Indian apparel producers are a very crucial part of the global apparel supply chain, but a cursory examination of the websites of many companies did not result in a great deal of information about CSR. For example, nine apparel factories were randomly selected from the Apparel Export Promotion Council website. These factories are major exporters of ready-to-wear garments to the U.S., including brands like Tommy Hilfiger, and retailers like JC Penny and Target. Only three of the nine included information about CSR or social initiatives on their websites, while the other six did not include any information about CSR. The three companies that provided CSR information are Welspun, Texport Industries and Gokuldas.

Welspun describes CSR in terms of improving the livelihood of people and youth. They do this by organizing various yoga and meditation workshops, medical camps, providing education to underprivileged students and undertaking various women-oriented empowerment projects. On the company's website, the CSR statement reads:

In sync with our guiding path of *five E's*, Enrichment of mind, Enrichment of body, Education, Empathy, Empowerment of Women and contributions for other social activities we try to make continuous efforts to better the lives of everyone involved with us both, directly or indirectly. (www.welspun.com)

Unlike Welspun, Texport Industries did not have a separate CSR section on their website. Instead, they include a social initiative section that lists the company's contributions to society. Various social activities are cited, such as providing equal opportunities to employees, free eye treatment, and providing vocational training to garment factory workers (www.texportgarments.com). Gokuldas also has a section for social initiatives but not specifically called CSR. Their social initiatives include free medical treatment for employees and 24 hour ambulance service. They also mentioned having voluntary certifications such as Social Accountability 8000 (SA8000) and Worldwide Responsible Apparel Production. SA8000 focuses on providing decent working conditions, including focal areas like child labor, health and safety, as well as working hours (www.saasaccreditation.org). The objective of the Worldwide Responsible Apparel Production certification is to promote and certify lawful, humane and ethical manufacturing throughout the world (www.wrapcompliance.org). These certifications are not required by Indian laws or by retailers, but suppliers often get these certifications in order to be able to market themselves as socially responsible.

It is interesting that the rest of the company websites did not include any information about CSR. Most U.S. retailers source, or at least claim to source, from socially responsible factories in developing countries, including India. It is very important to understand why manufacturers do not include such information on their websites, at least as a form of marketing. Thus, this dissertation sought to investigate what Indian suppliers think about CSR, including whether not they use it as a means of promotion or to gain competitive advantage.

Research Purpose and Objectives

The purpose of this study is to explore perceptions of corporate social responsibility among Indian apparel manufacturers. A qualitative methodology was used to understand what CSR means to these companies. By exploring the meanings of CSR from the perspective of the Indian manufacturer, findings of this study contribute to the overall understanding of CSR and its role in the global apparel supply chain.

To better understand CSR, four objectives were defined:

1. To examine current CSR practices in Indian manufacturing operations.
2. To investigate the opportunities and challenges posed by CSR practices for Indian manufacturing operations.
3. To determine the extent to which CSR is important to Indian apparel manufacturers.
4. To investigate the reasons why CSR may or may not be important to Indian manufacturing operations.

To achieve the objectives of the study, I used various data collection techniques including interviews, observation and secondary data. As was briefly outlined in the preceding section, India is emerging as one of the major sourcing destinations for apparel retailers, and Indian apparel exports have grown steadily. Yet, there exists very limited research on CSR, and none that is specific to apparel factories in India. This study therefore addresses the gaps within the literature by exploring CSR from the Indian manufacturer's point of view.

Scope and Significance

Corporate social responsibility (CSR) formally emerged in the mid-20th century, and has since increased in popularity (Carroll, 1999). In the early literature, CSR was referred to as “social responsibility.” Bowen (1953) was the first to talk about social responsibility in the book, *Social Responsibilities of the Businessman*, and is referred to as the “father of corporate social responsibility” because of his early and seminal work in the area of corporate social responsibility (Carroll, 1999, p. 269).

As will be discussed in Chapter II, to date, many researchers have sought to define CSR (Bowen, 1953; Carroll, 1999; Foran, 2001). Some view it as voluntary social contributions by companies (McWilliams & Siegel, 2001; Pinney, 2001) while others define CSR as a firm’s practices toward their labor and the environment (Foran, 2001; Lea, 2002). Today the concept of CSR has a variety of meanings and researchers and corporations hold diverging views about what it is (Jamali & Mirshak, 2006), creating an ongoing debate about what CSR specifically entails. One side believes that CSR happens when firms make money and obey all laws (Greenfield, 2004). The other believes that CSR involves more than a firm’s economic and legal obligations, and as such, it should strive to be ethical, fair and just (Goodpaster & Mathews, 1982). Because there is no common consensus among researchers regarding a definition of CSR (Dahlsrud, 2006), each researcher measures CSR from their own point of view. The present study explores what CSR means from the Indian manufacturer’s perspective in order to add another dimension to the literature on CSR.

Previous studies related to corporate social responsibility have focused on either the buyer or consumer perspective (e.g. Dickson & Zhang, 2004; Hillenbrand & Money, 2007; Yoon, Gürhan-Canli, & Schwarz, 2006), but little has been done from the supplier perspective. The textile and clothing industry is one of the oldest established industries in India. It contributes significantly to the country's economy and employment, and is clearly emerging as critical to the global apparel industry (Halepete & Iyer, 2008). Because suppliers are actually present during the production phase and monitor operations, it is very important to understand what CSR means to them. Yet, because there is no common consensus as to what CSR means, different stakeholders within the supply chain have different perceptions of it. That is, consumer perceptions may be different from those of retailers or suppliers. Differences in perceptions of CSR can create challenges within the supply chain. This dissertation examines perceptions of an overlooked stakeholder group – suppliers – who play a key role in the supply chain and therefore are likely to have specific ideas and opinions about CSR.

Methodological Considerations

According to Creswell (2005), a methodological approach should address the specific problem and research questions of the particular study. That said, qualitative research was best suited for this dissertation for several reasons. First, the focus is on understanding perceptions of CSR among apparel manufacturers in India. Because little research exists which examines manufacturer perceptions, a better understanding was needed. This understanding could best be achieved through qualitative methods, which focus on exploring experiences and perceptions (Merriam, 2009). Second, the topic of

CSR is somewhat sensitive and has an emotional dimension to it. That is, while talking about CSR, issues pertaining to factory working conditions and the treatment of workers often arise. According to Padgett (2010), if a researcher is pursuing an emotional topic, then qualitative methods are typically the most appropriate. Finally, this study was emic in nature and aimed to capture the insider's perspective (Padgett, 2010). That is, I was interested in exploring what participants think about CSR and their experiences with it. I was focused on understanding their perceptions of CSR in their own words. For these reasons, I approached the topic using a qualitative research design.

There are various styles or approaches to qualitative study. According to Merriam (2009), the primary goal of most qualitative research is to uncover and interpret the meanings people construct about their lives and worlds, but the approaches used will be different. As a particular qualitative approach, I used ethnography in order to get at the insider's view. I collected data in India within the context of Indian apparel factories. Hammersley (1992) posits that to understand beliefs, motivations and behavior, the ethnographic approach is good because it allows for close interaction with participants in the context of their everyday lives. In the present study, I was interested in how manufacturers behave in factories, their motivations for implementing CSR practices or not, and what they think about CSR. An ethnographic approach allowed me to interact with participants in their natural settings and to observe the everyday activities taking place within factories.

To collect data for the study, I spent two months in India conducting interviews and observing factories. As will be discussed in Chapter III, specific methods used to

collect data included in-depth interviews, observation and secondary data. I observed five companies in India, from the Tier 1, Tier 2 and Tier 4 levels of the Iceberg Model. This is because working conditions in different tiers are not the same. Tier 1 and Tier 2 work closely with retailers and therefore have to comply with their standards, which allows them to have some degree of awareness of and perhaps experience with CSR. In contrast, micro and small manufacturers do not typically follow guidelines imposed by retailers. Observing factories of different tiers allowed me to witness the stark contrast between them.

Theoretical Considerations

According to a 2001 European Commission report (EC, 2001), how a firm incorporates ethical concerns into its business practices and interacts with its stakeholders is an important aspect of CSR. Carroll (1991) suggests that “there is a natural fit between the idea of corporate social responsibility and an organization’s stakeholders” (p. 43). Freeman (1984, 2004) referred to a stakeholder as an individual or group who is affected by the achievements of a firm’s objectives. Stakeholders include customers, employees, local communities, suppliers and shareholders (Fontaine, Haarman & Schmid, 2006). If a stakeholder turns against the firm, then it may adversely affect the firm’s success, thereby suggesting the importance of integrating ethical business practices that are specific to each stakeholder.

For a firm to succeed, it is critical that its managers serve the interests of both shareholders and stakeholders (Mishra & Suar, 2010). For this reason, Branco and Rodrigues (2007) differentiate between the shareholder and stakeholder perspective. The

idea of the shareholder perspective is that the sole responsibility of a firm's manager is to make a profit and serve shareholders' interests. On the other hand, the stakeholder perspective focuses on other groups and individuals besides shareholders, and suggests that these groups should be considered in management decisions, since they are affected by a firm's activities (Branco & Rodrigues, 2007).

Matten and Crane (2005) suggest that the stakeholder perspective, or theory, is "a necessary process in the operationalization of corporate social responsibility" (p. 111). According to stakeholder theory, firms need to serve all their stakeholders, as engaging in collaborative practices with stakeholders is the key to a successful business (Oruc & Sarikaya, 2011). Stakeholder theory emphasizes the idea that shareholders' needs should not be met before those of the stakeholder (Oruc & Sarikaya, 2011). One type of stakeholder theory is Normative Stakeholder Theory.

Normative Stakeholder Theory is linked to ethics and values and is considered the core of stakeholder theory (Fontaine, Haarman & Schmid, 2006). This particular stakeholder theory suggests that a firm should not rely on its stakeholders just to maximize profits, but that it also has moral and ethical responsibilities towards them. Normative Stakeholder Theory suggests that a firm should develop ethical principles and guidelines for how it interacts with stakeholders. Because it provides a conceptual foundation for understanding the place of CSR within a firm, Normative Stakeholder Theory comprises part of the conceptual foundation of this study.

In addition to Normative Stakeholder Theory, the Three-Domain Model of CSR proposed by Schwartz and Carroll (2003) was used as a conceptual point of departure. In

an early study, Carroll (1979) broke the concept of corporate social responsibility down into four categories: *economic*, *legal*, *ethical* and *philanthropic*. For Carroll, a corporation's economic responsibility is the most important, followed by its legal, ethical and philanthropic responsibilities. Later, Schwartz and Carroll (2003) revised the original four categories and developed the Three Domain Model. The three domains are *economic*, *legal* and *ethical* responsibilities. The activities of a firm which have either direct or indirect economic impact are considered part of the economic domain. The legal domain captures all of the legal activities of a business. The ethical domain pertains to the ethical activities of a firm expected by society, the general population and its shareholders. Because the three domains are overlapping in nature, the authors posit that no CSR domain is more or less important relative to the others. Although this model has been widely used in research on CSR in the U.S., to date, no studies have explored these dimensions and their importance to Indian firms. This dissertation therefore explores the relevance of the Three Domain Model for perceptions of CSR and apparel production and is the first to investigate the model's significance for suppliers in India.

Summary

This chapter introduced the topic and described the purpose, objectives and justification for the study. Discussion included corporate social responsibility, the global apparel industry, and the role of India in the global apparel supply chain. The scope and significance of the study were outlined along with the methodological and theoretical considerations of the study. The next chapter provides a review of the literature pertinent to the study.

CHAPTER II

LITERATURE REVIEW

This chapter explores the existing literature pertinent to the topic of corporate social responsibility (CSR) and the global apparel industry. First, the broad-based literature on the topic of corporate social responsibility is examined. This is followed by a discussion of the literature regarding the benefits of engaging in CSR. Studies that consider the relationship between CSR and financial performance are then examined, followed by a discussion of the literature dealing with CSR in small and medium sized firms. Research integrating managerial perceptions of CSR across industries is explored, and then studies on CSR specific to the apparel industry are examined. This chapter concludes with a discussion of the two theoretical concepts used to inform the dissertation: Normative Stakeholder Theory and Schwartz and Carroll's (2003) Three Domain Model of CSR.

Defining Corporate Social Responsibility

Corporate social responsibility formally emerged in the 20th century, but grew in terms of research primarily during the past 60 years (Carroll, 1999). In the early literature, CSR was typically referred to as "social responsibility." Bowen (1953) was the first to establish social responsibility as a field of research through his book, *Social Responsibilities of the Businessman*. Indeed, Bowen is often referred to as the "father of corporate social responsibility" because of his seminal writings on the topic (Carroll,

1999, p. 269). According to Bowen (1953), businesses are obliged to follow policies, make decisions or take action that is appropriate given a society's values and goals. Bowen believed that the policies and actions of large corporations have a major impact on society. That is, for Bowen, corporate goals related to social responsibility could be achieved through economic gain. Bowen's definition and discussion of the topic focused on U.S. corporations, and he believed that to attain specific social goals, such as community improvement or national security, corporations should be highly productive and focus on making economic progress. For Bowen, social responsibility was directly tied to the economic aspects of social welfare.

Davis (1960) was the first to argue that social responsibility goes beyond a corporation's direct economic gains. According to Davis (1960), if a company's social responsibility is limited to economic value, then it will be more concerned with economic loss rather than issues of human dignity or its associated social aspects. He therefore further refined the definition of social responsibility as a "businessman's [*sic*] decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interests" (p. 70).

Davis' definition of social responsibility consists of three dimensions. The first dimension includes those obligations in regards to economic development which impact the community and/or public welfare, such as full-time employment or maintaining competition in the market (referred to as "socio-economic responsibility"). This dimension can be measured in terms of economic value. Second are those obligations that preserve and develop human values, which cannot be measured in economic value terms,

such as motivation and morale (referred as “socio-human responsibility”). Third, socio-economic and socio-human responsibilities should be promoted simultaneously for the continuing vitality of the corporation. Another very crucial point Davis made in 1960 is that the social power and social responsibility of the “businessman” should be commensurate, in that “avoidance of social responsibility leads to the gradual erosion of social power” which he later refers to as the “Iron Law of Responsibility” (Davis, 1967, p. 49).

In 1963, McGuire sought to develop a more precise definition of social responsibility, writing that “the idea of social responsibilities supposes that the corporation has not only economic and legal obligations, but also certain responsibilities to society which extended beyond obligations” (p. 144). McGuire was the first to expand the concept of social responsibility beyond economic and legal obligations to include those of the community as well as employee welfare and education. Picking up on this notion, in 1966, Davis and Blomstrom went on to define social responsibility as:

A person’s obligation to consider the effects of his decisions and actions on the whole social system. Businessmen [*sic*] apply social responsibility when they consider the needs and interest of others who may be affected by business actions. In doing so, they look beyond their firm’s narrow economic and technical interests. (p. 12)

Another crucial contribution to the CSR literature came from the Committee for Economic Development (CED) in 1971. The CED defined CSR using three concentric circles. The inner circle represented economic responsibility, the intermediate circle incorporated social value in addition to economic responsibility, such as fair treatment of

employees and reducing the impact on the environment. The outer circle represented the ways that a business should engage in improving society as a whole.

In 1980, Jones added a new perspective by suggesting that CSR is both voluntary and broad. He defined CSR as,

The notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law and union contract. Two facets of this definition are critical. First, the obligation must be voluntarily adopted; behavior influenced by the coercive forces of law or union contract is not voluntary. Second, the obligation is a broad one, extending beyond the traditional duty to shareholders to other societal groups such as customers, employees, suppliers, and neighboring communities. (pp. 59-60)

As can be seen in his definition, Jones also positioned CSR as a process rather than an outcome.

Not all researchers have used the same terms to talk about CSR, and in fact, the literature reveals a wide variety of different terms, such as *corporate social performance* (CSP) (Wartick & Cockhran, 1985), *corporate citizenship* (Birch, 2001), *corporate social responsiveness* (Frederick, 1978) and *corporate philanthropy* (L'Etang, 1994). Likewise, different authors embrace different descriptions of what corporate social responsibility actually is. For example, according to Lewis (2003), CSR activities include a variety of actions such as taking care of the environment, providing community service, making charitable contributions, ensuring employee welfare and increasing the firm's profitability. Some researchers define CSR as volunteer social contributions by companies (McWilliams & Siegel, 2001; Pinney, 2001) while others define it as a firm's practices toward their workers and the environment (Foran, 2001; Lea, 2002).

As Dahlsrud (2008) points out, developing an unbiased definition of CSR is challenging. Therefore he approached the development of a single definition based on 37 definitions found in the literature. Emerging from an analysis of similarities and differences, Dahlsrud (2008) categorized these definitions into five dimensions: the environmental dimension, the social dimension, the economic dimension, the stakeholder dimension, and the voluntariness dimension.

To date, many researchers have tried to define CSR (Bowen, 1953; Carroll, 1999; Foran, 2001) but there is yet to be clear agreement about its definition (Esrock & Leichty, 1998). Wood (1991) suggested that no matter what definition of CSR is used, it is based on the fact that “business and society are interwoven, rather than distinct entities” (p. 695). According to Van Mareewijk (2003), there are too many definitions of CSR, which has, in turn, affected the development and implementation of the concept. Confusion about what CSR is means that each researcher measures or assesses CSR from their own point of view.

Wan-Jan (2006) suggested that because CSR has no clear definition, many studies are based on a misunderstanding of the concept. Yet CSR is an important topic that needs to be examined, if only to continue to seek a more unified definition of what it is. One way to develop this unified definition is to examine CSR from the perspective of different stakeholders and types of companies. To date, the majority of CSR definitions have been based on practices of companies in developed countries. Limited research exists which examines CSR within a developing country. This dissertation addresses this gap by

examining what CSR is from an Indian perspective, and thus contributes to the existing literature on CSR and developing countries.

As a result of divergent definitions of CSR, there are differing views on why firms should engage in CSR. The following sections discuss research on CSR from a variety of angles, including the benefits of CSR, what CSR means for SMEs, as well as research that explains CSR relative to the apparel industry.

Benefits of Engaging in CSR

According to the literature, there are a variety of benefits of engaging in CSR, such as improving a firm's reputation and increasing competitive advantage, as well as attracting talent and increasing the firm's profitability (Branco & Rogrigues, 2006; Nelling & Webb, 2009; Scholtens, 2008). One of the supposed key benefits for corporations that engage in CSR is that it fosters a positive image of the firm among consumers (Brown & Dancin, 1997). Many organizations adopt social causes assuming that they will be rewarded by consumers (Levy, 1999). Other companies engage in CSR as a deliberate means to improve the company's reputation. A company's reputation, according to Csiszar and Heidrich (2006), consists of

Collective representation of [a] firm's past actions and results that describe [the] firm's ability to deliver valued outcomes to multiple stakeholders and gauge a firm's relative standing both internally with employees and externally with its stakeholders, in both its competitive and institutional environment. (p. 384)

Corporations often believe that their engagement in socially responsible activities will be supported by consumers (Levy, 1999). Yet, according to Branco and Rogrigues (2006), CSR can impact a corporation's reputation both negatively and positively. Yoon,

Gürhan-Canli, and Schwarz (2006) found that socially responsible actions only contribute to a company's reputation when various stakeholders are confident that its motive is not just economic gain. The authors indicate that this is the case particularly for those companies in more visible and sometimes controversial industries, such as tobacco or oil.

A corporate reputation enhanced by CSR can act as a competitive advantage as it distinguishes the company from others (Hart, 1995; Hillenbrand & Money, 2007). Indeed, the literature has addressed several benefits of engaging in CSR, but as mentioned earlier, most of the studies were conducted with companies in developed countries. Few studies have focused on whether and how CSR benefits manufacturers in developing countries, and specifically in the apparel sector. Corporations draw on different resources, infrastructure and work culture in different countries. Therefore, the benefits that CSR brings to a company in a developed country may not be the same as those within a developing country. Thus it is crucial to study whether the benefits of CSR outweigh the costs in the context of specific countries. This study addressed this gap in the literature by exploring why Indian manufacturers engage in CSR and the benefits or advantages they enjoy as a result.

In addition to understanding what CSR is and the benefits it can provide, corporations are particularly interested in understanding the consequences of CSR specifically for the firm's financial performance. Ackerman (1973) suggests that for the long term, successful corporations need a balanced focus on social and economic dimensions, however, the literature reveals varying views on the relationship between

CSR and financial gain (Nelling & Webb, 2009). These views are examined in the next section.

The Financial Implications of CSR

Many firms engage in CSR activities, such as recycling programs, charities and activities that promote employee well-being. These activities provide social benefits, but also fuel the debate about whether CSR-related activities actually enhance a firm's social performance or are just additional expenses (Nelling & Webb, 2009). Some researchers argue that socially responsible business leads to profitability (Boatwright, 1999) while others posit that there is no link between CSR and a firm's profitability (Aupperle, Carroll & Hatfield, 1985). Lack of consensus in the literature has led to a focus specifically on CSR and financial performance, particularly since most corporations emphasize economic gain (Pinkston & Carroll, 1996).

Previous studies have sought to empirically test the relationship between a firm's financial performance and their CSR activities (Hillman & Keim, 2001; Waddock & Graves, 1997). Results point to a "loop" between profitability and CSR activities, in that CSR activities lead to enhanced financial performance, and firms with enhanced financial performance can devote more resources to CSR activities (Nelling & Webb, 2009). Scholtens (2008) further examined this topic and found that financial performance precedes CSR more frequently than the other way around.

Both Margolis and Walsh (2001) and Orlitzky, Schmidt and Rynes (2003) conducted extensive reviews of the literature on corporate social responsibility and financial performance. Margolis and Walsh (2001) examined 95 studies from the past 30

years establishing the link between CSR and financial performance and found that 53% of the studies indicated positive relationships between CSR and financial performance. Twenty four percent indicated that no relationship exists between the two, while 5% showed a negative association and 19% revealed mixed results (Margolis & Walsh, 2001). Similarly, Orlitzky, Schmidt and Rynes (2003) examined 52 quantitative studies and statistically grouped the findings. Their results indicated a positive relationship between corporate social responsibility and corporate financial performance across industries, and argued that their findings are more reliable than those of Margolis and Walsh (2001) because they took sampling and measurement errors into consideration (Orlitzky, Schmidt & Rynes, 2003).

A study by Falck and Heblich (2007) supports the findings of Orlitzky, Schmidt and Rynes (2003) and suggests that CSR is not only crucial to a firm's success, but is also an efficient management strategy. They added that short-term CSR activities such as making a single donation of money, are not profitable. Rather, CSR is profitable only when engaged in for the long term. According to Falck and Heblich (2007), continuous CSR activities enhance a company's reputation, and suggest that from a "supply-side perspective, a good reputation is necessary to attract, retain and motivate quality employees. From a demand-side perspective, a good reputation increases the value of the brand, which, in turn, increases the company's goodwill" (p. 248).

In 2001, McWilliams and Sigel examined how to maximize profits by determining the "appropriate" level of CSR investment. According to the authors, there is an optimum level of CSR and it can be determined by conducting a cost benefit analysis.

Therefore, the authors argue that management should make decisions regarding CSR as precisely as they would any other financial decision affecting the firm.

Overall, findings in the literature point to a positive relationship between corporate social responsibility and financial performance. However, it is important to point out that most of the studies were done with large corporations in the U.S. Previous studies have indicated that firms in developing countries think that CSR requires major financial investment and that they are unaware of the economic gains resulting from CSR (Kaufman, Ekalat, Nongluck & David, 2004). Therefore, existing results may not apply to companies outside of the U.S., and especially to a small or medium size enterprise, particularly due to differences in resources and infrastructure. Since this dissertation examined the apparel industry in India rather than the U.S., and India's industry consists largely of small and medium sized firms (SMEs), whether engaging in CSR actually benefits financial performance is an important question. Thus, the next section examines the literature pertinent to corporate social responsibility and SMEs.

CSR and SMEs

An increasing number of large corporations are reporting their CSR involvement (Schlegelmilch & Pollach, 2005), and this has placed greater pressure on smaller companies to engage in and report CSR activities (Fassin, 2008). As most research on CSR has examined larger corporations, small and medium sized enterprises (SMEs) have received relatively little attention (Grayson, 2004; Spence & Rutherford, 2003). Yet SMEs make for more than 90% of businesses worldwide and account for 50 to 60% of all employment (Vives, 2006). Spence and Rutherford (2003) outline several characteristics

of SMEs that distinguish them from larger corporations, including: “legal form, sector, orientation towards profit, national context, historical development and institutional structures” (p. 4). Moreover, SMEs generally have a less formal operational structure and do not have staff to produce specialized reports, such as those involved in reporting CSR activities (Longenecker, McKinney & Moore, 1989). Most SMEs also do not keep formal documentation related to safety standards, compliance and worker records. Consequently, SMEs are better able to engage in unethical practices as managers and supervisors can more easily manipulate workers’ wages and hours (Stigzelius & Mark-Herbert, 2008).

Yet, a study by Fassin (2008) points out that the formal reports provided by large corporations do not necessarily mean they are behaving ethically. Moreover, the informal structure of an SME does not mean that it is not responsible in its business practices. Instead, Fassin suggests that CSR is about having the right attitude and promoting ethical business practices. Formal reporting might increase the transparency, but it is not enough for a firm to be socially responsible. According to Fassin (2008), CSR lies in the firm’s culture and core business practices and not in formalization. He further suggests that the relationship between CSR and SMEs is often misunderstood due to six general misconceptions: (1) CSR is worthless without formalization, (2) SMEs do not report on CSR and consequently have no CSR, (3) the CSR approach of large companies can be directly translated to SMEs, (4) a CSR engagement policy will automatically raise ethical standards, (5) CSR always implies absolute progress, and (6) increased regulations will deter all wrongdoing (Fassin, 2008). The author critically explained these fallacies in support of CSR in SMEs, suggesting that most SMEs are against the formalization of

CSR, since they think it consumes time and money and does not add value. Owners of SMEs also dislike the hypocrisy surrounding CSR promotion, believing that formal CSR reporting does not validate the presence of real CSR, and as such, they “disagree with the opportunistic compliance approach of some multinationals and with the fallacy that a bureaucratic approach with reports works” (Fassin, 2008, p. 375).

According to Lozano and Murillo (2006), in SMEs, the core values of the owner or manager of the company drive CSR practices, not compliance. Generally, SMEs are motivated to adopt socially responsible practices out of concern for employee health and welfare. Some of the obstacles that SMEs face in adopting CSR practices include insufficient awareness concerning CSR, lack of resources to initiate CSR and misinformation as to the economic benefits as a result of CSR (Perrini, 2006).

In India, SMEs currently play an important role in driving economic development and are a major source of employment throughout the country (Kula & Tatoglu, 2003). SMEs, in the Indian business context, are defined as “industrial undertaking[s] in which the investment in fixed assets in plant and machinery whether held on ownership terms, on lease, or on hire purchase does not exceed Rs. 10 million” (Anand, 2004, para. 3). The majority of manufacturing firms in India are SMEs with over 10.5 million units, clearly an important part of this sector. Yet no research exists on SMEs and CSR specifically in the Indian context, or on Indian apparel SMEs. Therefore, the present study is among the first to investigate the place of CSR in these SMEs.

Vives (2006) found that an efficient way for an SME to implement CSR is to educate managers to correct the misperception that being responsible takes a lot of time

and money, and to educate them that many SMEs are involved in informal CSR practices without being aware of it. According to Vives (2006) such companies need the encouragement and support of local government and consumers to gain awareness and get involved in CSR practices. However, there is also a strong relationship between managers and CSR, in that they play a very important role in shaping the ethics of an organization (Lozano & Murillo, 2006). The present study aimed to investigate Indian managers' perceptions of CSR. Because they are present at the manufacturing site and manage employees and operations, it is crucial to understand what CSR means to them. The next section explores what the literature says regarding the role of managerial perceptions and CSR practices.

CSR from the Managerial Perspective

Even the early literature on CSR indicated that corporate managers accepted the idea that CSR is important for their organizations (Holmes, 1976). Yet, despite the fact that managers are the key drivers behind policy implementation in an organization, very few studies have been done to investigate their perceptions regarding CSR. One study by Khan and Atkinson (1987) compared managerial attitudes toward social responsibility in India and Britain. They surveyed 65 British and 41 Indian managers, interviewed 15 British and 21 Indian managers and analyzed secondary data, such as annual reports and policies, from both nations. The authors found several similarities between perceptions on issues regarding CSR. For example, 98% of Indian and 94% percent of British executives believed CSR to be relevant to their business and that their business has a responsibility to the society in which it operates. Interestingly, for both the Indian and

British samples, very few believed that engaging in CSR can have a negative impact. The authors also found a relationship between the size of the firm and the budget allocated specifically to CSR activities, in that the larger the firm size, the greater the allocation for CSR-related activities.

Christie, Kwon, Stoeberl and Baumhart (2003) sought to examine the impact of culture on the ethical attitudes of business managers by comparing three nations - India, Korea and the United States – using the dimensions of Hofstede’s cultural typology (individualism, power distance, uncertainty avoidance and long-term orientation). Using a survey, the authors collected data from a total of 345 business managers in the three countries (127 from India, 126 from Korea, and 92 from the U.S.). The results of the study indicated that culture has a significant impact on managers’ attitudes towards ethics in business, and that the managers’ attitudes are governed by personal integrity (Christie, Kwon, Stoeberl & Baumhart, 2003). Based on Hofstede’s cultural typology, individualism and power distance had the strongest impact on attitude towards ethics, which suggests findings that are somewhat inconsistent with those of Khan and Atkinson (1987), wherein culture did not play a role in attitudes towards CSR.

Siu and Lam (2008) further examined perceptions of CSR by comparing managers and non-managers. Employing a quantitative approach, they collected survey data from 465 individuals living in Hong Kong, of whom 12.3% were managers, 6.75% were working in a Non-Government Organization (NGO) and the rest were non-managers. They concluded that managers and others working at an NGO placed greater emphasis on avoiding counterfeiting, illegal or dubious practices, and ensuring consumer

safety, than non-managers. Managers are also considered as role models in firms and as such are expected to behave ethically. Moreover, if a firm is accused of being unethical, then its managers are more liable than the employees working under them. Therefore, managers, on the whole, were found to be more ethical and played a very important role in implementing ethical practices within a firm (Siu & Lam, 2008).

In examining corporate ethics and social responsibility, Cacioppe, Forster and Fox (2007) argue that ethical investment and social responsibility are two different things. They found that managers have a clear understanding of ethical actions and social responsibility and could differentiate between the two. In addition, they found that ethical actions on the part of the company have a positive impact on managers' attitudes towards the company.

In one of the few qualitative studies that exists on the topic, Welford and Frost (2008) explored the benefits and obstacles of implementing CSR by conducting semi-structured interviews with 24 CSR managers, factory managers and/or owners in industries across various Asian countries (China, Malaysia, Hong Kong, Cambodia, Vietnam and Thailand). Findings of the study suggest that, unlike in western countries, Asian companies do not experience pressure from consumers to be socially responsible. Instead, these companies try to adhere to a code of conduct because buyers (retailers) demand it. Yet inspections of these codes of conduct are often flawed. According to the participants of the study, the primary benefits of CSR are recruitment, staff retention and motivation of employees, while the biggest obstacles in moving towards CSR include lack of awareness, lack of resources and lack of qualified personnel. The authors

concluded that large corporations are more easily able to overcome these obstacles, while small companies face a greater degree of difficulty in adopting socially responsible practices. Thus, it is evident that these Asian companies are not aware of studies suggesting that CSR does not have to limit profits and can differentiate a firm's products within the market without compromising profit (Welford & Frost, 2008).

A study by Khan (2008) sought to conceptualize CSR from the Indian perspective. In spite of being one of the most attractive emerging markets, only 2% of Indian companies produce dedicated CSR reports. After interviewing 40 high level management personnel at pharmaceutical companies, Khan (2008) found that access to healthcare and educational programs are the most prominent CSR-related offerings among Indian corporations. Interview responses also revealed that western CSR concepts are not translating in India. Instead, CSR in India is inspired by Gandhi's concept of social trusteeship, thus the predominant CSR foci are health care, education, and support for employees and their families, rather than environmental issues and stakeholder pressure. Although Khan's study investigates the concept of CSR in the context of India, it is not known whether findings would be similar if applied to the production of apparel in this country.

It is evident from the literature that corporate managers understand that CSR is important for their organization (Holmes, 1976). Clearly, managers are the key drivers of CSR implementation in an organization, yet very little research exists on their attitude towards CSR. That which does exist is contradictory and no research exists which examines the Indian manufacturer's perceptions of CSR in the apparel industry. As

discussed in Chapter I, India plays a crucial role in the global apparel supply chain, and therefore it is very important to understand what manufacturers there think about CSR. Thus, this dissertation makes a significant contribution to the literature, as it is one of the first to consider the topic from the perspective of Indian apparel manufacturers.

CSR in the Apparel Industry

As discussed earlier, CSR was conceptualized in the 1950s, but it is a relatively new field of research in the apparel discipline (Dickson & Eckman, 2006). The apparel industry was one of the first industries to become truly global. Being that it is a labor intensive industry and an important part of the economy within many developing nations, it is surprising that there are relatively few studies examining CSR in the global apparel industry.

One of the seminal studies in the area of corporate social responsibility in the apparel industry is by Dickson and Eckman (2006). The authors asked members of the International Apparel and Textile Association to define the term “socially responsible apparel/textile business.” Based on the responses, they crafted a definition of a socially responsible apparel/textile business as follows:

An orientation encompassing the environment, its people, the apparel/textile products made and consumed, and the systematic impact that production, marketing, and consumption of these products and their component parts has on multiple stakeholders and the environment... A philosophy that balances ethics/morality with profitability, which is achieved through accountability-based business decisions and strategies [and] a desire for outcomes that positively affect, or do very little harm to, the world and its people. (Dickson & Eckman, 2006, p. 188)

The resulting definition is specific to the apparel context yet quite similar to existing definitions put forth by previous researchers such as Carroll (1979), Davis (1960), and McGuire (1963). The commonality among these definitions suggests that corporations have responsibilities that go beyond just economic gain.

Quite a bit of research exists on consumers' perspectives in regards to CSR (Becker-Olsen, Cudmore, & Hill, 2005; Elliot & Freeman, 2001; Levy, 1999), but not much has been done to investigate manufacturers' perceptions of the concept. The apparel industry has been frequently criticized for its abuses of labor in the form of sweatshops in developing countries (Dirnbach, 2008). As a result, there have been many studies on labor issues in the apparel industry (Dirnbach, 2008; Emmelhainz & Adams, 1999; Khoury, 1998; Ngai, 2005). Emmelhainz and Adams (1999) were among the first to study sweatshop issues in the global apparel supply chain. The authors emphasized how many U.S. apparel firms were trying to address CSR issues, including labor challenges, throughout their supply chains and especially with respect to their manufacturers in foreign countries. The authors argue that U.S. apparel firms need to develop a workable code of conduct which includes substantial details for implementation. In addition, they suggest that retailers should work with apparel manufacturers in a developing country only if they are a code compliant supplier and can provide evidence of acceptable working conditions. This study was conducted from the U.S. firms' perspective, and did not take into account what suppliers in developing countries think about CSR in their production facilities. CSR is relevant throughout the apparel supply chain, from suppliers to retailers to consumers, thus it is crucial to

understand what CSR means from a variety of perspectives to add breadth and depth to the research that currently exists on the topic.

Stigzelius and Mark-Herbert (2009) examined the motives of Indian apparel suppliers/manufacturers when implementing an international labor standard. They specifically focused on the SA8000 certification and the motivations and challenges behind the implementation of this certification. SA8000 is a voluntary certification which covers human rights issues such as health and safety, child labor, working conditions, working hours and forced labor (Social Accountability International, 2011). Factories which are SA8000 certified are audited by a third party to ensure that they are complying with required standards. The authors found that the main motive behind the implementation of SA8000 is pressure from retailers, in as much as one of the major challenges that suppliers are facing is lack of support from buyers. In other words, suppliers have to bear all of the CSR implementation costs. Bremer and Udovich (2001) indicated that such certifications require major investment, which are often too costly for SMEs. In addition, suppliers are not sure if their investment will pay off, since certification comes with many extra costs, such as audit charges and the expense of conducting training workshops. Stigzelius and Mark-Herbert (2009) found that suppliers think implementing international labor standards enhance their corporate image, and can expect increases in orders from buyers as well as decreased labor turnover. However, it is important to note that Stigzelius and Mark-Herbert's (2009) study focused on only one international labor standard and did not consider other voluntary certifications, such as World Responsible Apparel Production (WRAP).

A study by Kaufman, Ekalat, Nongluck and David (2004) focused on voluntary labor standards and the CSR movement in the Thai garment industry, with an emphasis on labor practices. Their results indicated that Thai factories are facing many challenges in competing with other countries. The pressures that come from having to follow codes of conduct, keeping production costs low and fast delivery expectations from international buyers are becoming key issues for Thai factories. In addition, Thai factories are often challenged with conflicting labor standards. For example, according to the Thai Labor Protection Act of 1998, 36 hours of overtime per week is permitted. On the other hand, voluntary labor standards such as SA8000 permit a maximum of only 12 hours of overtime. Workers in developing countries willingly seek overtime so that they can earn more money to support their families (Kaufman, Ekalat, Nongluck & David, 2004). Thus, in this case, voluntary labor standards result in the reduction of workers' wages. Companies therefore face a dilemma when implementing voluntary labor standards and seeking certifications – many of which are often required by retailers.

The literature that examines CSR and apparel manufacturing indicates that developing countries are facing challenges in adopting voluntary labor standards as well as fully supporting CSR engagement. In developing countries, apparel manufacturers lack trained personnel, information on CSR implementation and benefits, as well as face insufficient infrastructures for initiating CSR. Therefore, it is difficult to adhere to standards imposed by retailers from developed countries. For example, Linfei and Qingliang (2007) examined corporate social responsibility in the Chinese apparel industry. Their findings suggest that CSR is gaining popularity, but the pressure to adhere

to tight deadlines and consider the financial goals of the firm means that maintaining good working conditions and controlling overtime are major challenges.

Although CSR is increasing in the apparel industry, according to a 2005 European Commission report (EC, 2005), CSR activities vary considerably across countries. Thus, research that examines CSR in China or Thailand might not be applicable to India. Moreover the few studies that have been done on Indian apparel factories (e.g. Stigzelius & Mark-Herbert, 2009) do not fully capture the concept of CSR and focus solely on one labor standard. Since India's apparel sector is quite large, it is important to understand what it means to implement and support more broad-based CSR practices in the country.

Theoretical Foundation

As discussed briefly in Chapter I, two theories relevant to the study of CSR are used to frame this dissertation: Normative Stakeholder Theory and Schwartz and Carroll's Three Domain Model. Both provide theoretical justification for the study, yet neither has been fully examined relative to CSR and the apparel supply chain, nor to the Indian supplier's perceptions of CSR. The following sections detail the two theoretical points of view relative to the goals and objectives of this dissertation.

Normative Stakeholder Theory

Managers can rely on a broad range of theoretical frameworks when making an ethical decision. One such framework is known as Normative Stakeholder Theory (NST). NST suggests that a corporation has a greater responsibility than to just maximize its profits. As Fontaine, Haarman and Schmid (2006) explain, "The purpose of the firm is not only to make profit for shareholders but also defend an image and values respecting

all stakeholders” (p. 33). According to both Carroll (1979) and Davis (1960), management of a corporation means more than making a profit, and NST posits that because company decisions impact stakeholders, managers must act based on ethical principles and guidelines.

As discussed in Chapter I, a “stakeholder” is defined as an individual or group which can affect or can be affected by the achievement of a firm’s goals and objectives (Freeman, 2004). Stakeholders include customers, employees, local communities, suppliers, shareholders, government, managers and clients (Fontaine, Haarman & Schmid, 2006; Maak & Pless, 2006). These individuals and groups are seen as crucial for the long term success and survival of a firm (Freeman, 2004). A firm may face negative consequences if any of its stakeholders turn against it, therefore a firm should by necessity consider its stakeholders in the decision-making process.

NST states that the relationship between a firm and its stakeholders should be based on moral and ethical commitment since this relationship reflects the firm’s image and its core values (Fontaine, Haarman & Schmid, 2006). As such, corporations need to integrate ethical practices specific to each stakeholder in their everyday business operations. This includes how a firm treats its employees. According to a 2001 European Commission report, CSR is a part of this commitment, as it integrates various social and environmental concerns with a firm’s practice and does so on a voluntary basis. Likewise, Wan-Jan (2006) posits that CSR is based on the ethical and responsible treatment of such stakeholders as workers and customers without expecting any financial benefits to result from such treatment.

Normative Stakeholder Theory has much in common with CSR, as both are geared toward the integration of ethical and moral guidelines within a firm's business practices and its interactions with various stakeholders. Both concepts posit that corporations have broader obligations towards stakeholders and society that go beyond economic and legal responsibilities (Freeman, Harrison, Wicks, Parmar & Colle, 2010). According to Davis (1973), a corporation cannot be considered to be a socially responsible firm if it simply complies with the requirements of the law. A firm is socially responsible if, in addition to legal requirements, it also considers social obligations by "treating the stakeholders of the firm ethically or in an ethical manner" (Wan-Jan, 2006, p. 183).

A primary aim of this dissertation is to understand the meaning of CSR from the Indian manufacturers' perspective. Normative Stakeholder Theory was therefore used to guide the interpretation of the data. Because of its focus on the firm/stakeholder relationship, NST provides a point of departure for exploring how CSR practices are implemented and why. Specifically, NST was used as a means to assess whether Indian manufacturers consider stakeholder interests in their decision-making, and whether or not they adhere to ethical and moral guidelines in their relationships with various stakeholders.

Three-Domain Model of CSR

The concept of CSR positions a company and society as inseparable and posits that a company's actions will impact society. Consequently, companies should be expected to be ethical in their actions and decision-making. Hill and Cassill (2004)

suggest that a firm should operate and use its resources in a way that benefits society. Similarly, as discussed briefly in Chapter I, Carroll's (1979) four levels of CSR- economic, legal, ethical, and philanthropic- outline the responsibilities of a firm to society. Combined, the four components comprise his model known as "Corporate Social Performance" or CSP (Carroll, 1979, p. 503).

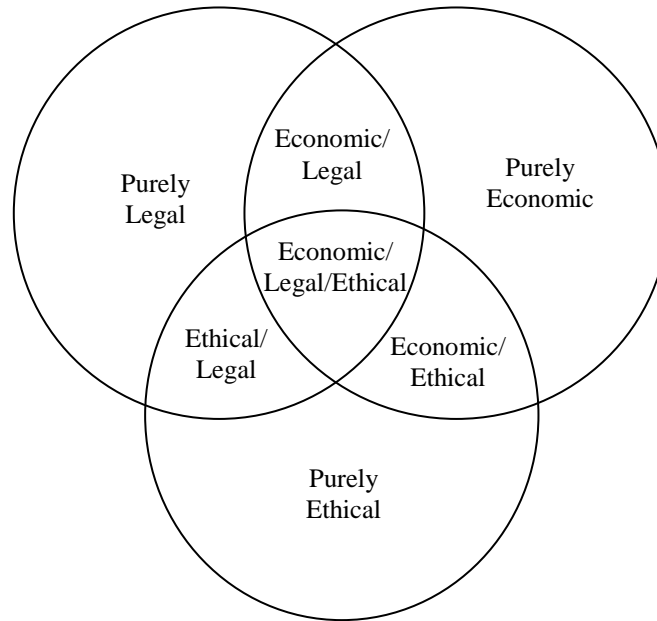
According to Carroll (1979), economic responsibility is highest in magnitude among the four responsibilities, followed by legal, ethical, and philanthropic. Yet these responsibilities are not mutually exclusive. Economic responsibilities mean that a business should be profitable by producing goods and services that are demanded by society. Legal responsibilities mean that a business should operate and be profitable within legal boundaries. Ethical responsibilities mean that businesses should engage in activities beyond just those that are legal obligations, such as treating employees fairly and avoiding harm to the environment and society. Philanthropic responsibilities mean engaging in voluntary social roles such as conducting self-improvement workshops for employees or contributing to recovery efforts after a natural disaster (Carroll, 1979). According to Carroll (1979), economic and legal responsibilities are required by society, while ethical responsibilities are expected by society and philanthropic responsibilities are desired by society.

Carroll's model of the four responsibilities of CSR, or CSP, has been utilized by many researchers over the years (cf., Swanson, 1995; Wood, 1991). In 2003, Carroll, along with Schwartz, revisited the original categorization of CSP and discussed its limitations in the creation of an alternative model they called the "Three-Domain Model

of CSR” (p. 509). One of the major criticisms of Carroll’s original categorization was that it did not fully capture the overlapping nature of the four categories. Another problem Schwartz and Carroll (2003) discussed was the notion that philanthropic responsibilities should be placed in all categories because philanthropic activities are voluntary and therefore should not be considered responsibilities *per se*.

In the Three Domain Model of CSR, Schwartz and Carroll (2003) outline three primary responsibilities: economic, legal and ethical, while the former fourth category, philanthropic responsibility, was placed in both the economic and ethical domains. According to the authors, the three domains overlap, as depicted in their Venn diagram (see Figure 2). To further elaborate on the overlap between the three domains, Schwartz and Carroll articulate seven possible types of CSR responsibility: purely economic, purely legal, purely ethical, economic/ethical, economic/ legal, legal/ethical, and economic/legal/ethical. Regarding the limitations of the Three Domain Model of CSR, the authors point out that economic, legal and ethical responsibilities are “inseparable and interwoven” (Schwartz & Carroll, 2003, p. 520) such that any action cannot really be identified as either purely legal, purely ethical, or purely economic.

Figure 2. The Three-Domain Model of Corporate Social Responsibility.



Source. Adopted from “Corporate Social Responsibility: A Three-Domain Approach,” by M.S. Schwartz & A.B. Carroll, 2003, *Business Ethics Quarterly*, 13(4), pp. 503-530.

The Three Domain Model of CSR is used along with Normative Stakeholder Theory to frame this study. Although the Three Domain Model has been used to study CSR in the U.S., no studies applying it in the Indian context have been published. Therefore, this dissertation is the first to investigate the relevance of the Three Domain Model of CSR for apparel manufacturers in India. Specifically, the data are examined for the extent to which Indian manufacturers’ actions and activities are aligned with NST and fall under the domains conceptualized by Schwartz and Carroll (2003). By examining the data relative to these particular theoretical considerations, the findings of this dissertation deepen and dimensionalize the concepts in a more culturally-specific manner than currently exists in the literature.

Summary

This chapter provided an overview of research relative to the topic of CSR in the global apparel industry. A discussion of the literature on CSR, including studies investigating the benefits and financial implications of CSR, its relationship with firm size, the managerial perspective on CSR and its existence in the apparel industry, was provided. The theoretical foundation used to guide the study was also discussed. The next chapter describes the research methodology employed by the study.

CHAPTER III

METHODOLOGY

The purpose of this study is to develop an understanding of corporate social responsibility in the apparel industry from the perspective of Indian manufacturers. As discussed in Chapter I, a qualitative research design was used to achieve the objectives of the study, which are: (a) to examine current CSR practices in Indian manufacturing operations; (b) to investigate the opportunities and challenges posed by current CSR practices for Indian manufacturing operations; (c) to determine the extent to which CSR is important to Indian apparel manufacturers; (d) to investigate the reasons why CSR may or may not be important to Indian manufacturing operations.

Van Maanen (1979) defines qualitative research as: “An umbrella term covering an array of interpretive techniques which seek to describe, decode, translate, and otherwise come to terms with the meaning, not the frequency, of certain more or less naturally occurring phenomena in the social world” (p. 520). Similarly Denzin and Lincoln (2000) view qualitative research as “a situated activity that locates the observer in the world...qualitative researchers study things in their natural settings, attempting to make sense of, or interpret, phenomena in terms of the meanings people bring to them” (p. 3). In the case of this dissertation, a qualitative approach is best suited because it allows for an in-depth investigation of the topic from the perspective of individuals who are directly involved in the manufacturing of apparel products.

This chapter provides an in-depth overview of the research design, and begins with discussion of the ethnographic approach to research. A discussion of various methods that were used to collect data is then provided. In as much as my background was similar to that of the participants, my status as a native Indian and researcher is also addressed. The last section of the chapter describes the approach to data analysis.

Ethnography as Qualitative Inquiry

Ethnography is a type of qualitative approach which allows the researcher to understand human experience via meanings created within a particular cultural setting. As Brewer (2000) describes,

Ethnography is the study of people in naturally occurring settings or “fields” by means of methods which capture their social meanings and ordinary activities, involving the researcher participating directly in the setting, if not also the activities, in order to collect data in a systematic manner but without meaning being imposed on them externally. (p. 11)

The ethnographic research process involves several steps and technically begins when the researcher enters the field. However, prior to entering the field it is the researcher’s responsibility to become familiar with the literature to understand the topic of interest. Once in the field, the first crucial step is to gain access to the right people, or those most relevant to the study (O’Reilly, 2010).

O’Reilly (2010) suggests that when recruiting participants, the researcher must decide whether to be covert or overt about his or her purpose for being in the field. Overt research means “openly explaining the research to the participants, its purpose, who it is about, and what will happen to the findings” while covert research is “undercover,

conducted without the participants' knowledge or without full awareness of the researcher's intention" (p. 9). Most ethnographic research is done overtly, with the researcher seeking to develop rapport with participants through a common interest in the research topic. The researcher must also decide on the role he or she will play in the field (O'Reilly, 2010), and this role will impact how people in the field respond. For the purpose of this dissertation, my approach was overt and I was fully open with participants about the purpose of the study. Although this approach might have jeopardized my chances of getting everyone to agree to be a part of the study due to the somewhat sensitive nature of CSR practices (or lack thereof), it was nevertheless important to be open about the topic and my purpose.

Since this research investigated CSR from the Indian manufacturer's perspective, the data were collected in India. My aim was to collect data in a natural setting (i.e. the factories) with the overriding goal being the development of an intersubjective understanding of CSR within the Indian cultural context. To achieve this goal, I spent two months collecting data in India. The literature presents various ways to collect data within an ethnographic framework and specifically in a manner that allows one to understand the meanings behind participants' attitudes and behavior (Brewer, 2000). For this dissertation, I employed several methods that are commonly used in ethnographic research, including semi-structured interviews, observation and collecting supplemental data through secondary sources. The following sections explain each of these methods in detail.

Data Collection

Interviews

In qualitative research, the interview is often used to understand the “why” of a phenomenon and the meaning of the experience from the point of view of the participant (Denzin & Lincoln, 2000). The interview is defined as “a process in which a researcher and participant engage in a conversation focused on questions related to a research study” (DeMarrais, 2004, p. 87). However, there are many different types of interviews. According to O’Reilly (2010), a key distinction between ethnographic and other forms of interviewing is that “ethnographic interviewing is conducted in the context of an established relationship with a research partner...ethnographic fieldwork provides a context for building relationships with people that can improve and inform qualitative interviews” (p. 128). Ethnographic interviews generally take place in a natural setting and take into account the cultural context.

Through the interview method, the researcher can discover how people see and interpret the world around them. Indeed, Kvale and Brinkman (2009) use the term “Interview” which literally points to the exchange of views between two persons while talking about a topic of mutual interest. Yet, it is important to note that the interview is different from an everyday conversation, as the former is really a conversation with a purpose (Kvale & Brinkman, 2009). The purpose is to understand the meaning of a phenomenon from the participant’s perspective while the researcher controls and monitors the process, which is not typically done in everyday conversation.

Interview types range from completely structured to completely unstructured, with semi-structured in between. Semi-structured interviews are typically the most popular in qualitative research, and are “generally organized around a set of predetermined open ended question, with other questions emerging from the dialogue between interviewer and interviewee/s” (Dicicco-Bloom & Crabtree, 2006, p. 315). In this type of interview the researcher uses an interview guide, or schedule, that consists of both open- and closed-ended questions. During the interview, the researcher has the flexibility to adjust the sequence of the questions, add more questions, and probe based on the participant’s response (Zhang, 2006). As Nicholls (2009) explains, semi-structured interviews “do not assume that the researcher anticipates enough of the answers to be able to pre-format the questions...nor does it allow the interview to proceed aimlessly; meandering through whatever topic the interviewee cares to bring up” (p. 640). The semi-structured interview allows the researcher to be prepared, and at the same time, permits participants the freedom to express their views on their own terms.

In this study, I conducted semi-structured interviews (see Appendix A: Interview Schedule). As will be discussed in full in Chapter IV, I recruited a total of 26 interview participants, including 20 males and 6 females who were engaged in various kinds of employment at apparel manufacturing facilities in India. Participants were recruited through referrals, reflecting a purposive approach to sampling (Malhotra, 2009). Interviews were conducted at locations convenient to participants and were audio-taped with the participant’s consent (see Appendix B: Consent Form). Interviews focused on understanding participants’ experiences with CSR from their own perspective. Questions

asked of participants focused on understanding what CSR means to them and why they think it is or is not important to apparel manufacturing in India.

Observation

The data collection method most closely associated with ethnography is observation. According to Brewer (2000), observation involves “data gathering by means of participation in the daily life of informants in their natural setting: watching, observing and talking to them in order to discover their interpretation of social meaning and activities” (p. 59). Data are gathered through observation for various reasons, but the primary focus is to observe a phenomenon of interest as an outsider and to understand the context by noticing things which may be routine to the participant. According to Merriam (2009), “observation makes it possible to record behavior as it is” (p. 119) and is particularly effective when participants are engaging in activities related to the phenomenon of interest. Observation data often supplement interviews and as a method, it “is best to use when an activity, event, or situation can be observed firsthand, when a fresh perspective is desired, or when participants are not willing to discuss the topic under study” (Merriam, 2009, p. 119).

Observation played an important role in data collection for this study because it allowed me to observe activities and behavior within the factory setting. In the interviews, sometimes the participants did not talk about important issues because they were simply routine to them. For example, in one of the Tier 2 factories I observed, there was a rusted-out fire extinguisher, but the employee I interviewed did not talk about it because seeing it was routine for him. Observation helped me to fill in the gaps as well as

operate as a point of reference during the interviews. The topic of CSR is a sensitive one, and therefore at times managers did not want to talk about it in-depth. For this reason, observation was necessary to supplement the interview data to achieve a more comprehensive understanding of CSR in the context of apparel manufacturing.

As will be discussed in Chapter IV, I observed a total of 5 factories in and around the New Delhi area. Observation data took the form of field notes that recorded the activities and conditions I observed at the factories. According to Lofland and Lofland (1984), field notes can take a variety of forms, including text, pictures and even diagrams. Whatever the researcher sees and observes is considered data, thus the researcher must carefully consider what should and should not be treated as such. The key is to collect enough data to allow the study to develop without compiling excessive amounts of data that are irrelevant to study (Murchison, 2010).

Murchison (2010) points out that the kind of information an ethnographer observes and collects often exists for just a very short period of time. Thus, while in the field, it is important to take notes quickly and on a regular basis. As he writes,

Ethnographic data is fleeting, and the ethnographer's job is to record it before it disappears or dissipates. Firsthand experience and observations are essential in the collection of ethnographic data and note taking. Recollection after the fact can be interesting sources of information and subjects of analysis, but they are not a substitute for notes generated through immediate presence at the moment in question. Human memory is a tricky and complicated phenomenon, and it can complicate the record unnecessarily. (p. 70)

The longer the time between observation and taking notes, the greater the chance that some information will be forgotten. Therefore, I recorded my observations as

immediately as possible. I used different forms of field notes at different times, including substantive, methodological and analytical types (Burgess, 1982). Substantive field notes were used to record the details of the when and where of the observation. Methodological field notes were used to record ongoing procedures of the research. Analytical field notes were used in the ongoing analysis of the observed data. Combined, these different types of field notes provided me with a detailed record of what was observed, insights about the phenomena of interest and were useful guides for the analysis and interpretation of data.

Website Content

As secondary data, a review of website content pertinent to CSR was conducted. Specifically, I reviewed the websites of the companies that participants work for and the factories I observed. As I will discuss in Chapter IV, the purpose of the website content review was to examine how Indian companies define CSR, and the extent to which it is promoted via the internet. Based on what the companies included on the websites, I was able to better understand how Indian manufacturers conceptualize CSR, and to consider it in relation to how it is defined in the literature (Schwartz & Carroll, 2003). Analysis of the website content was also used to triangulate the interview and observation data (Merriam, 1998), and helped me to fully understand the participants' perceptions of CSR by cross-checking between multiple data sources.

Reflexivity

Being a native of India, it was important that I be reflexive throughout the data collection and analysis process. That is, to be aware of any pre-conceived notions that I had about the topic before entering into the field. Horsburgh (2003) discusses reflexivity

as “active acknowledgement by the researcher that her/his own actions and decisions will inevitably impact the meaning and context of the experience under investigation” (p. 308). In ethnographic research, the researcher is not completely detached and his or her involvement will affect the results of the study, as in most qualitative research (Murchison, 2010). A qualitative study is dependent on the interrelationships between the respondents, the data and the researcher (Lincoln & Guba, 1985), and as such, the researcher should acknowledge that their personal attributes can sometimes impact the recruitment process.

Yet personal attributes, whether age, gender, or ethnicity, should not stop someone from studying a particular group, as one researcher conducting a qualitative study may yield different results than another. This difference is what makes qualitative research important and distinctive, and does not mean that qualitative research lacks validity or rigor (Webb, 1992). Instead, the researcher must acknowledge that his or her presence has bearing on the findings of the study. As Popay, Rogers and Williams (2003) explain “given the involvement of the researcher in the research process, the question is not whether the data is biased, but to what extent has the researcher rendered transparent the process by which the data have been collected, analyzed and presented” (p. 348). It is important to be cautious and mindful of one’s own perspective while collecting data in the field and to indicate that this understanding is important to, yet distinct from, the analysis and interpretation of the data.

In the field, I was aware of my pre-existing notions and beliefs and was actively engaged in the self-reflexive process of “bracketing” (Tufforod & Newman, 2010, p. 11).

Gearing (2004) explains bracketing as “a process in which a researcher suspends or holds in abeyance his or her presuppositions, biases, assumptions, theories, or previous experiences to see and describe the phenomenon” (p. 1430). To help me do this, I used a personal journal and wrote memos throughout data collection, which allowed me to note thoughts or emotions that framed my experiences during data collection. In addition, to ensure a more credible interpretation, once the interviews were transcribed verbatim, I shared the transcripts of the interviews and initial interpretations with a small sample of the participants to verify the contents. I gave them an opportunity to communicate any necessary changes. Seeking participant confirmation permitted me to represent participants’ voices to the fullest (Edwards & Ribbens, 1998; Nelson, LaBat & Williams, 2002).

Data Analysis and Interpretation

One of the main purposes of this study is to understand the meaning of CSR from the point of view of those who are engaged in apparel manufacturing. Data analysis in qualitative research is an ongoing process that involves reflexive meaning development. As Belk, Sherry, and Wallendorf (1998) explain,

The analysis of naturalistically obtained data is not an inclusive, discrete phase that follows data collection. Rather, analysis begins during the initial collection of data and continues throughout the project, consistent with the emergent design of naturalistic inquiry. (p. 455)

Because the goal is to understand the participant’s perspective, a thematic approach to interpretation was employed. Thematic interpretation is often used to explore the results of qualitative data to decipher the meanings that individuals attach to their

experiences and how those meanings link together and form patterns (Spiggle, 1994). Bailey (2007) suggests that “thematic analysis works most effectively when you seek themes that address your research questions, frame themes conceptually, and explore links among them” (p. 155).

Spiggle (1994) suggests differences between analysis and interpretation, in that analysis “breaks down or divides some complex whole into its constitute parts” for categorization, abstraction, comparison and dimensionalization (p. 492). Interpretation makes sense of the results obtained from analytic operations through more abstract conceptualizations, to fully explore meaning across the data.

In this study, analysis began with categorization of the data, in which the participants’ experiences were classified or labeled into units of data for the purpose of coding. This was followed by abstraction, where previously identified categories were grouped into more general conceptual ideas. Then, a comparison among and across categories was explored for similarities and differences within the data. Once the categories were defined, dimensionalization was used to identify and explore properties of categories and constructs. A back and forth, iterative process was then used to identify emergent themes (Spiggle, 1994), and to ensure consistency, these themes were then linked back to the literature. Once the themes emerged and were articulated based on the literature, the theoretical significance of the themes was explored and the more abstract contributions of the study examined.

Summary

In this chapter, the methodological framework of the study was outlined. The goals of qualitative research and ethnography were discussed relative to those of the study. Specific methods of data collection were discussed and the approach to data analysis and interpretation was outlined.

CHAPTER IV

DATA INTERPRETATION

In this chapter a thematic interpretation of participant responses is provided. I begin with a summary of participants' demographics. This summary is followed by a discussion of seven primary topical areas relative to CSR that emerged from the analysis of data. Each topical area is comprised of several themes that, when linked together, provide an overall picture of manufacturers' perceptions of CSR in the Indian apparel industry.

Participant Demographics

All participants in this study work in the apparel industry in the New Delhi and NCR (Neighboring Capital Region) area of India. A total of 26 participants were interviewed, including 20 males and 6 females. As shown in Table 2, participants' job titles ranged from merchandiser, designer and production manager, to divisional merchandise manager and auditor. Interviews were conducted at locations convenient to participants such as coffee shops and factory canteens. The duration of each interview was approximately 30 to 90 minutes. Actual names of participants are not used in the interpretation in order to maintain confidentiality.

In addition to the interviews conducted with participants, I observed five different factories. In each factory, I spent 3-4 hours observing each day for one week. All factories were located in the New Delhi area. I observed two large scale (Tier 1) factories

catering to international buyers and two medium sized factories (Tier 2) catering to both domestic and international buyers. The fifth factory observed is classified as Tier 4, as the company is a sub-contractor that obtains work from manufacturers in the higher tiers (Tier 1 and 2).

As discussed in Chapter III, to triangulate the interview and observation data, I also reviewed the websites of the companies that the participants work for, as well as those of companies that I observed (see Table 3). Websites were specifically examined for any CSR-related content. Actual company names are not indicated.

Table 2

Demographics of the participants.

Pseudonym	Age	Gender	Job Profile	Tier
Ashish	46	M	Head of Social Compliance Department	Tier 1
Ryan	28	M	Senior Manager in Production, Planning & Control Department	Tier 2
Atif	31	M	Production Manager	Tier 2
Akhil	28	M	Head of Technical Department	Tier 2
Avinash	28	M	Senior Merchandiser	Tier 1
Kunal	31	M	Merchandiser	Tier 1
Meena	27	F	Senior Social Compliance Auditor	NA
Mitali	28	F	Merchandiser	Tier 1
Divya	34	F	Merchandiser	Tier 1
Aditi	38	F	Designer	Tier 2
Rahul	45	M	Divisional Merchandise Manager	Tier 1
Avi	28	M	Merchandiser	Tier 1
Anand	32	M	CSR Consultant	NA
Rajesh	29	M	Production Manager	Tier 1
Amar	27	M	Merchandiser	Tier 1
Suresh	30	M	Merchandiser	Tier 2
Dinesh	28	M	Assistant Manager: Outsourcing	Tier 1
Sumit	28	M	Merchandiser	Tier 1
Punit	29	M	Merchandiser	Tier 2
Vikki	30	M	Merchandiser	Tier 2
Shiv	37	M	Production Manager	Tier 1
Mansi	27	F	Merchandiser	Tier 2
Pooja	29	F	Designer	Tier 2
Sunil	36	M	Production Manager	Tier 1
Arpit	42	M	Head of Washing Department	Tier 1
Mukesh	31	M	Merchandiser	Tier 2

Table 3

Company websites evaluated for CSR content

Pseudonym	CSR content	Tier
Company A	No	Tier 1
Company B	Yes	Tier 1
Company C	Yes	Tier 1
Company D	Yes	Tier 1
Company E	Yes	Tier 1
Company F	Yes	Tier 1
Company G	No	Tier 2
Company H	Website not available	Tier 4
Company I	No	Tier 2
Company J	No	Tier 2
Company K	No	Tier 2

Thematic Interpretation

The purpose of this study is to explore perceptions of corporate social responsibility among Indian apparel manufacturers. Seven topical areas emerged from the analysis of the data that help to define CSR and articulate its role in the Indian apparel sector: (1) *What is CSR?*, (2) *Benefits of CSR*, (3) *Challenges of CSR*, (4) *A Question of Responsibility*, (5) *A Matter of Size*, (6) *The Role of Auditing*, and (7) *Moving Forward with CSR*. Commonalities and differences that surfaced within and across participants' experiences help to outline the themes used to structure each of the topical areas.

What is CSR?

One of the big issues that surfaced in talking with participants is the disparate nature of CSR in India at present. In the interviews, participants repeatedly mentioned that there are very few apparel firms in India that are socially responsible. However, all of the participants felt that integrating CSR activities, including those driven by ethical

and moral principles, is very important for the betterment of the Indian apparel manufacturing sector as a whole. Participants indicated that Indian apparel firms are gradually moving toward implementing CSR, but that full integration is happening very slowly.

Participants had varied perspectives on the definition of CSR. Yet one common thread is that CSR is about taking care of employees and giving back to society. As Dinesh states, “CSR is the responsibility of an organization to take care of the well-being of their staff as well as the society it is [a part of].” Likewise, Avi explains that CSR means embracing a social cause such that the firm gives back to society, and does something on behalf of the employees beyond just paying them wages:

CSR is giving back to the society in many kind of forms. An organization employs people from society, you make them work, you also pay them, but apart from that there should be a social cause associated within an organization. [The organization] does something for employees and society in some form. (Avi)

As Punit sees it, companies utilize society’s resources and therefore they have a responsibility to give back. He adds that it is easier for a corporation to serve society than it is for an individual to do so:

Companies make enough money and they earn out of their surroundings. At the end of the day they have a duty [to] the society in which they are operating. They have to do something for them. It is difficult for an individual to do something, but as a corporation, doing things for society becomes easier. You can reach out to [a] lot of people. (Punit)

Similarly, Avinash thinks that companies should contribute to the welfare of society by providing basic needs and education to the people. He states, “CSR is giving

back to society. For example it could be providing education, helping out [the] underprivileged, it is about helping people, providing basic amenities like food, water, home, medical.” For Ashish, CSR means providing good working conditions in the factories, including taking care of employees’ health and safety. It also means training employees to do their job in a better way. He explains, “CSR means creating better conditions in your factory, in the form of health and safety... training your workers.”

Some participants believed that a company should not engage in CSR for economic gain. CSR should be done as a way to give back, rather than get more. As Ryan explains, “As far as I know it is anything that a company is doing for the welfare of the society. They should not have any intention of economic gain.” Likewise, Punit thinks a company should help people, society and the environment without expecting any financial profit from it. He states, “CSR is something which is out of your work. You have no intention of an economic gain. It is like doing something for people inside the factory, outside the factory, or the people around, it can be for the environment, it can be anything.”

The kind of activities engaged in by participants’ employers varied. Participants also indicated a widely varied level of emphasis on CSR activities. Three types of CSR activities emerged as the most common among participants’ employers: (1) *People-focused CSR*, (2) *Environment-focused CSR*, and (3) *Society-focused CSR*. Each will be discussed in turn.

People-focused CSR

People-focused activities and efforts were a common type of CSR mentioned by participants. For Divya, employee welfare is the most important CSR activity, largely because employees play a major role in a company's growth. She feels that the company should act responsibly with respect to employee health and safety:

The most important CSR activity is that a company should work for employee welfare. It is the employees who give business to the company. So it is the responsibility of the company to take good care of their employees. They should look into health and safety measures, things like that. (Divya)

One company website stated that people are the most valuable part of the business and so the company strives to inspire their employees and provide a good working environment.

We believe that the most valuable part of any business is its people and this belief is reflected in our commitment to nurturing the talent, enterprise and creativity of our people. Our goal is to inspire by building a culture and environment in which they can grow and succeed. (Company B)

People-focused CSR activities generally took the form of health related activities, events designed to build community, or general education kinds of activities. Most of the participants indicated that the CSR activities they had experience with usually centered on employee health. As Sumit explained, his company conducts seminars and workshops for employees in order to educate them about health and personality development. They also celebrate major Indian festivals in the factory for employee entertainment.

My company frequently conducts some programs to educate the employees. They do seminars, give free training and conduct personality development things. Also, they do health-related stuff for employees like health awareness programs and

blood donation camps. It is all part of CSR I guess. They also celebrate all kinds of festivals like Christmas, Diwal and Ganesh Chaturthi, these sort of things, just small, not very grand. They want to involve employees in that. (Sumit)

Amar's company is also interested in its employees' health. He states, "My company is involved in various activities like diabetes awareness, they [always] conduct seminars about common health problems."

Company B indicated on their website that employee health is very important to its long term success. It states: "We know that to ensure long-term prosperity and sustainability we want all our people to be healthy, safe, motivated and committed to our business." Similarly, Company D writes that providing healthy working conditions is one of its main goals: "We strive to be a leading organization committed to provide a healthy working environment to our employees and creating a nourishing and efficient work culture." Indeed, a focus on employee health emerged as the most common people-focused CSR activity on all of the websites that included CSR content.

There are a high number of women employed in the apparel sector in India, and Mitali describes how her company acts responsibly towards its female employees. For their safety they are not allowed to work late at night. However, if there is some important work that requires female employees to stay late, then the company provides them a taxi to return home safely.

This company I am working for right now, their ethical and moral values are very, very strong as compared to other factories I had previously worked with. This factory is very safe for females. If the females are going back late, they are provided [a] taxi. First of all they are not even allowed to stay back after six. Females are very safe and protected in this company. (Mitali)

Several participants worked for companies that employ community-building CSR activities. For example, Rajesh's company organizes cultural events to entertain the employees and conducts workshops to motivate them:

My company is doing [a] lot of activities for the welfare of employees. This is our daily practice. They are [doing] so many things. For example, they entertain their employees. On 31st December we have this program of dancing and singing. Last year we did [a] henna competition. General things like some Sunday(s), we choose some workers from the factory, teach them the moral values, how to live life, general things and provide them lunch. That's to motivate them, apart from the work, just motivate them how to live, how to exercise, how to manage your money, general things. (Rajesh)

Likewise, participants described how their company promotes a sense of belongingness among employees by facilitating community-building events where employees can get to know each other better. As Suresh describes,

My previous company sometimes used to organize group lunches or movies so that employees will get to know each other properly. They also organized tournaments like cricket. The main purpose is that employees will get to know each other better. If they know each other better, then they make friends and their stay at work becomes easier. (Suresh)

Punit's company tries to promote a sense of belonging and comfort among employees by offering housing for those employees forced to commute long distances to and from work. Essentially, the company provides rental apartments for employees at low rates. He explains, "My company has created [a community] as many of the workers were coming from very far away. For them [the] company has provided flats at subsidized rates." Similarly, Company C strives to strengthen the bond between employees by giving them a day off, with pay, to go out together. The website states, "We encourage the team

members of each department to go out together for a day in a month and the company reimburses the amount. This also enables the employees to strengthen the bond between them.”

As another type of people-focused CSR activity, training programs were a popular form of CSR cited by the participants. Punit’s former company incorporated aids to increase factory workers’ productivity and conducted training on how to use them. Moreover, all employees were educated about the workings of their own department as well as that of the other departments in the factory. Designed to help the workers feel that they are an important part of the organization, Punit explains,

My previous company used [a] lot of gadgets and aids to improve worker efficiency, and they used to educate them. They had training programs that were not for a new tailor but also for old tailors and old employees. That was basically a holiday for them. In three months they had three days of this kind of training, and it was based on rotational basis. They were also not only educated about their core job, but they were also taught about other aspects like cutting, finishing and then there were other things as well, like they were taught about how buyers work, how merchandising happens, so they used to understand the whole system. By doing this, workers used to feel [like] a core part of the organization. They felt connected. (Punit)

Often the education provided by a company takes the form of employee job skill training. As Punit explains, at his company; “We also give free education to the new employees but that education is mostly about leather manufacturing which is our business. And once they are trained, they are sent to the production floor.” Indeed, while I was observing one of the Tier 1 companies, a team of professional trainers were brought in to educate workers about the benefits of teamwork. Although I was not able to participate, I noted that instead of just being lectured at, the workers were taught

teamwork through several games. It was an interesting approach, in that most of the workers have little if any formal education, therefore management sought to both teach and entertain them at the same time.

Environment-focused CSR

Although many participants pointed to people-focused CSR, others suggested that the environment should be the most important focus of CSR activity, as it can impact a greater number of people. For example, Atif describes how, due to the negligence of local apparel factories, surrounding ground water was badly contaminated in an area where he was employed:

The most important CSR activity is to save the environment. See I will give you an example, few years back, Tripur [located in south India] was a hub for garment factories. Now we don't have all that, most of the factories are closed by the court. The only reason was, most of the factories, they did not have [an] ETP [Effluent Treatment Plant]. In the course of time, drinking water and groundwater got spoiled. People were getting sick, so the government told factories that we cannot continue, so many, many factories [were] closed, and employees lost their jobs. So I feel [the] most important thing is to save the environment. Because these factories did not have ETPs, so many people got affected and they spoiled the whole ground water. (Atif)

The government closed all of the factories in the area. As Atif explained, literally thousands of people who were living in the area got sick from consumption of contaminated ground water. Then, thousands lost their jobs because the factories were closed. Moreover, as he explains, many of them could not work anyway because they were so sick.

So saving the environment is very important. Now these people can't work anywhere because they are sick. Thousands and thousands of people lost their jobs, thousands of them are sick and many of them lost their lives. I guess [the] environment is very critical, you can't harm the environment, it belongs to everybody. (Atif)

Another example of environment-related CSR activities are those that seek to replace what may be lost due to industrialization. For example, Punit's factory tried to avoid harming the environment by treating its waste and planting trees.

We have this environmental problem of dumping our waste. So we built [an] ETP, that is an effluent treatment plant. So it's inside the factory, now we have our own dumping place. And the waste we collect is recycled or reused somewhere else. So we're trying to improve the environment. We are planting trees, we have planted trees all around our factory. (Punit)

Society-focused CSR

Alongside people- and environment-focused activities, participants also talked about CSR activities that benefited society. For example, Avi shared that his former employer sells the fabric waste generated in the factory and then donates the proceeds to a charity. Thus, the money received by disposing factory waste goes to support a good cause. He explains,

In my previous company we used to have lot of scrap materials, for example you have fabric waste. You have [a] lot of waste materials in the factory. We sell them and get some money. That money goes to an NGO and they do some kind of charity, like child relief. These kinds of things, not many organizations are into it. (Avi)

Meena, who worked as a factory auditor, witnessed situations where factories refused to destroy surplus materials even though the buyers demanded it. These factories felt that, in particular, surplus apparel could cater to the needs of poor people. As she explains,

Small, small things do make a difference, like all the factories that have extra stuff, they give it to charity. They don't want to waste it. One of the buyers, they are very particular about their brand. Every facility has a surplus and the buyers want the surplus to be burnt. There are factories that have taken up a stand, "See here in India people don't have clothes to wear and you are asking us to burn the clothes which we have manufactured. We are not going to burn them, whether you work with us or not." (Meena)

According to Meena, these factories are ready to risk business for the welfare of others in need.

Benefits of CSR

Participants saw several benefits of CSR, and nearly all thought that implementing CSR would be beneficial to the apparel industry as a whole. Three themes that emerged from the data help to elucidate the benefits of CSR: (1) *Employee Retention*, (2) *Employee Commitment*, and (3) *Company Image*. Each are discussed in detail in the following sections.

Employee Retention

Based on the participants' responses, one of the major advantages of CSR is high employee retention. As participants explained, if employees are treated well, then they are less inclined to leave a company. Lower turnover saves a company time and money, and also enhances its reputation as a good place to work. As Suresh explains,

CSR is definitely beneficial. In one socially responsible company, I can say all the employees are happy. They have worked for more than 10 years, employee turnover is very slow. One of the major reasons of course is they have a very good relationship between employee and employer. So employees are happy with their work, so they stick with the company. It's good for [the] company and it is good for employees as well. See if employees keep shifting from one company to another, then it is not good for [the] company. It also impacts [the] company's reputation. (Suresh)

In a similar vein, Atif pointed out that companies spend a lot of money on training their employees. If there is high employee turnover, then they are losing this investment.

According to Atif, implementing CSR as an everyday business practice can help a company avoid this problem.

If we are following all the compliances, then I can convince my employees to stick with me. Currently, in any Indian [apparel] factory, the employee turnover rate is very high. Workers join and then they'll leave in like 15 days or [a] month. Then they will join another company, work there for a while and then leave the company. So what happens is you get into a system where you learn something and when [the] company starts to utilize your skills, workers are gone. So in this case, [the] company is putting so much money to train them and they lose all that money, which companies are not measuring. (Atif)

On the flip side, employee loyalty was cited by participants as an outcome of CSR. That is, as Kunal points out, CSR results in high employee satisfaction and loyalty: “Responsible companies will see less employee turnover. One of the immediate benefits will be that employees will be satisfied, they will not change jobs frequently, and they will become loyal to the organization.” Divya goes one step further by pointing to the mutual respect that can be fostered by CSR, which also helps with employee retention.

One long term benefit of corporate social responsibility is that it secures employee interest, it secures employee faith in them and if the company is socially responsible for the employees, then the employees themselves will be very much willing to work in the company. I feel that atmosphere in a company matters a lot to the employers and employees. If the employees are treated nicely and they are being taken care of by the employers then they feel nice working with that company. They want to work with that company, they don't leave them (Divya).

Employee Commitment

In addition to low employee turnover, some participants talked about how CSR can motivate the workers to work more efficiently, and perhaps even boost their work ethic. Suresh feels that if employees are happy, then they are more willing to work extra for a company. If employees are not happy, then they are sometimes inclined to leave even before the shift is over.

It will make employees happy. If they are happy, then automatically they will work well. You know, if companies are good to them, then they will be ready to work extra. They'll be like "Oh company is so nice to me, so working [a] little bit extra is okay for [a] deadline or a shipment." But if you don't treat them nicely they would like to run even before [it's] time. (Suresh)

Suresh goes on to explain that when the employees are satisfied, they are less likely to perceive work as a burden.

See if an employee feels good about a firm then [he] will not be frustrated when he goes to the factory. He will feel good if the company keeps organizing something like this [CSR community-building]. Otherwise it is difficult to work in the factory. If there's no entertainment, then your work will be a burden for you. (Suresh)

Sometimes, simply being nice to workers helps to motivate them to work extra. As Rajesh, a manager has found, by focusing on his employees' well-being, they are willing to go above and beyond for him in return, thereby benefitting the whole company.

I was working on the [production] floor in my last factory. Most of the operators, most of the helpers, knew me personally and I knew them. I knew their personal problems. I used to behave nicely to them. They used to share their personal problems, like why they did not come to the factory. That is fine. I think management has to understand workers' problems. Since I used to treat them nicely, they used to work extra for me without asking for any extra money. I developed personal relations with them. I used to help them in their problems, they used to help in my problems. It was a win-win situation. (Rajesh)

Company Image

Enhanced company image can be seen as a long-term benefit of CSR according to participants. That is, people tend to respect a company that adheres to socially responsible practices. Gradually, these socially responsible companies build a solid reputation and gain trust within the industry. As a result, potential buyers do not hesitate to do business with them. In addition to an enhanced reputation, as Dinesh points out implementing socially responsible practices can result in economic gain for the long-term.

See you are showing concern for everything, like humanity and [the] environment. You will gain respect from everybody. That's a big achievement. Monetary gains may come out of CSR in [the] long run. See if you are socially responsible, people will know you and then slowly, slowly, you will build your brand image and then they will get orders automatically. See the companies in India who are right now socially responsible, they have started it long back, and slowly they have gained so much of reputation and respect that buyers give orders to them blindly. They trust them so much. (Dinesh)

Divya's perspective is similar to Dinesh, in that her company has gained respect in the industry and developed a good reputation as a result of being socially responsible. Indeed, as she points out, the company has such a strong reputation that it does not need to spend money on advertising.

As far as I know our company does a lot of social activities, but they do not spend so much money on advertising it. But it [the company] has a name, from its work and from its good environment. It has a name, so they don't have to advertise themselves. (Divya)

It is interesting to note that Divya's factory was one that I observed during data collection. The company is one of the biggest apparel exporters in India and falls within the Tier 1 category. The company's website does not indicate anything about social responsibility, even though it is engaged in a great deal of CSR-related practices. Based on my observations, a focus on employee well-being was clear, and in turn, the workers were very focused on getting the work done. The noise level was much lower compared to the other factories I observed. Assembly lines were well organized, and the factory floor was very clean and had ample open spaces. I observed that line supervisors were very friendly when interacting with the workers on the production floor. The employee cafeteria was clean and sold food to the employees at reasonable prices. Overall, my observations aligned with what Divya described when talking about the strong CSR focus of her employer.

Challenges of CSR

When a company implements CSR for the first time, just like anything, it comes with particular challenges. Participants described how Indian manufacturers are facing a

lot of difficulty in integrating CSR into their regular business practices. Specifically, five themes surfaced relative to the challenges involved in implementing CSR: (1) *Production Timelines*, (2) *Management and Owner Priorities*, (3) *The Role of the Buyer*, (4) *Competitive Forces*, and (5) *Worker Education*.

Production Timelines

Participants explained that Indian apparel manufacturers work under a great deal of time-related pressure, which often prevents them from focusing on implementing socially responsible practices. Due to tight deadlines, management's time and attention is necessarily focused on achieving timely and efficient production outcomes. As Sumit explained,

[The] total production thing is very hectic. Because you have to do everything in [a] timeline, so everybody will be in a hurry. In that case what will happen, CSR will be neglected and they will be concentrating on the productive things. Activities that they think are productive. (Sumit)

Punit added that his current company tried to implement CSR, but stopped when it found that it was reducing the time available to devote to production. This instance suggests that CSR is not viewed as an everyday business practice, but rather as an extra obligation. He explains, "I have seen my factory doing seminars and stuff, but people feel that it's a waste of time. You don't have time for all this. You are so busy in getting your production [done] on time. Then these things look like just an added burden."

Due to tight deadlines, workers often have to put in long hours. In a typical Indian factory, employees work twelve to sixteen hours, seven days a week, with holiday time off only for major Indian festivals. On average, a worker clocks more than 74 hours per

week, which is much higher than permitted by law (54 hours per week). Atif believes that it is wrong for management to force workers to work such long hours and under constant pressure because of how it affects their personal lives.

I feel factories are doing very wrong, as they are making the workers and employers work for very, very long hours. I have seen in an export house they make them work for 16 hours. There are no holidays, no weekend. They work under so much pressure that they don't even sleep properly. (Atif)

Atif went on to share an incident where the stress was too much for one individual:

I will give you an example, [a] few months back one associate of [the] garment industry died. Few days back he was telling his colleagues that he can't sleep, he is always under stress. He was like "I shout at workers to deliver shipments on time, but it hurts me and pressurizes me even more." And one day he went to meet a retailer, [and] on the way he had a heart attack and he died. (Atif)

Indian manufacturers must meet the needs of their buyers at the lowest price possible, therefore they often avoid implementing CSR in an attempt to save money.

Amar points out, however, by getting caught up in the more immediate needs of production, companies do not see the long-term benefits of CSR.

Indian factories have to work on controlled costs to be competitive in [the] global market. Thus most of their efforts are towards offsetting this through cost cutting, and CSR is really the last thing in their objectives. Also, the vision and objectives of most organizations are based on short-term benefits, not realizing the long-term benefits of getting involved in CSR. (Amar)

Management and Owner Priorities

In the Indian apparel manufacturing sector, the management and/or owner plays an integral role in the company, in that they will often have a direct impact on the company's decisions and policies. Consequently, participants think that the mentality of the management or owner can be another hindrance to CSR implementation. According to participants, some owners and managers simply do not want to take the extra time and effort to integrate new concepts and practices into the business. As Punit explained,

Corporate social responsibility, they don't see any point in implementing that, why will they do it. They don't want any new thing to come into their way. Especially the small companies, even though it might benefit them, they will not implement it. If they think about implementing something, that will take [a] lot of effort and time. And nobody has that much energy or time to do that. (Punit)

It is important to note that most apparel factories in India are family owned. Many of these companies started out small and grew over time. After achieving a considerable size, they often avoid change. CSR is seen as an extra expense without an obvious payoff. Moreover, CSR is often seen as a potential profit reducer. As Meena explains,

First of all, this is a very unorganized sector. Most of the business is family owned. Family started business, they started doing well and then they started working as big factories. So, they are all those kind of people who were just making money out of nothing initially. And once they grew, they want to follow the same process. They don't want to incorporate CSR. They are not at all organized, they just want to make the money, the way they were making initially. Now they are being forced by the buyers to comply with certain rules, which they take as an added expense. They feel that it will not repay them back in any way and take it only as an obligation. (Meena)

Some participants explained that a lot of manufacturing companies are primarily worried about making money by ensuring a timely shipment. Thus, these companies only want to use their workers to this end and are not interested in integrating ethical business practices. As Dinesh pointed out, this point of view is common within the Indian apparel industry:

Unfortunately, [the] garment industry is not yet corporate. The mentality is still of penny pinching. Owners want to use the maximum time of individuals who [they have] hired. India's industry is all about just being profitable. [The] Indian apparel sector has not grown up to the level of the corporate, except [the very] few.
(Dinesh)

Dinesh went on to explain that management will oftentimes go so far as to avoid implementing even those ethical practices that are mandated by the government, such as providing retirement saving benefits for the workers, just to make a higher profit.

Within any organization, there should be some social responsibility attached. There are laws and rules, but that is not well adhered to. For example, [the] provident fund is mandatory, but employees do not get it. This has to be from [the] owner's end. But owners think, "Let me save on it." So these things are there. (Dinesh)

Likewise, Suresh explains that often a company's management extracts as much work from the employees as possible in an effort to increase profits. The company he works for will not even consider doing anything to support workers beyond paying them their wages:

The company I am working for is all about work, work, work, nothing else. They just want to get back their money from the employees somehow. They just make them work. They don't have any relationship and they don't entertain anything like that. (Suresh)

In some cases, participants described instances where workers sought greater benefits from their employer, and were made to be an example for others. Kunal shared an experience where an employee spoke up about his rights. Instead of trying to understand his requests, the company fired him. When others protested the company's action, management responded negatively.

I saw an incident where people at the top become one and tried to throw out a person who tried to raise the voice for his rights. Companies throw the strong people out of the factory because they're scared that they might form a union. When he was thrown out there were people who started to revolt. And then management asked them to leave too. But [the] others did not leave, they cannot give up their bread and butter. Only that person left. (Kunal)

The Role of the Buyer

Some participants talked about how Indian manufacturers do not receive the support they need from buyers to implement CSR. In Meena's experience, even though some suppliers are interested in learning about CSR and want to know more about it, they often do not get support from their buyers. Instead, the buyers put pressure on the manufacturer to produce the order. Yet if there is a CSR-related problem that surfaces, the buyer is likely to take his or her order elsewhere. Instead of encouraging the manufacturer to be socially responsible, a buyer will just stop giving the manufacturer orders. As a result, some manufacturers just pretend that they are socially responsible.

Some factories are willing to learn about CSR, but they are not getting any support. For example, if retailers find out that there is some problem with the factory, they should try to improve that factory. Rather, what they do is they absolutely stop working with that factory. How can you expect somebody to incorporate everything suddenly? Buyers should give them some time, they should give them a certain time to improve. That has to be rolled out in a phase. You cannot expect people to grow in no time. (Meena)

It is important to note that participants believe that buyers are not very proactive about learning more about factory conditions. Concerned with getting their products on time, the participants suggest that buyers are largely responsible for the long working hours typical in the Indian apparel sector, in as much as buyers do not give suppliers enough time, yet expect shipments to be delivered by the deadline.

People in the factory are working for long hours, they're working for the whole night. But this problem is not due to the problems in the factory alone, but this problem also comes from the buyer which releases [an] order late. They make last-minute changes. And they want shipments delivered on time. Buyers don't care if the products are made in the daytime or the night. They just want the products. So people are running after profits and also they are looking for a way to put their responsibility on somebody [else's] shoulders. (Meena)

Suresh agrees, explaining that timely shipment is the buyer's priority, therefore he or she does not care about CSR until something bad happens: "Buyers need shipments on time. They just give orders and they just want their orders to be on time. That's what most of the buyers are concerned about, and not CSR." Moreover, Indian manufacturers face stiff competition from neighboring countries like Bangladesh, not because of better CSR practices but because of lower prices. As Meena points out, buyers are more concerned about price than CSR. She states, "See these factory conditions are not driving orders out of the country. The only thing which is sending our orders to other countries is price."

Meena, who works as an auditor, finds that buyers are generally not interested in knowing whether part of their order is outsourced to lower tier companies. Although she is rarely asked to look into whether such outsourcing is happening, Meena often does so anyway.

Very few buyers are very particular about mapping the supply chain. Many of them are not. Sometimes I take extra effort to map the supply chain. First of all, whenever we go to a factory, being from the garment industry background, I know what are the operations required to make a certain style. So when I take a round of the factory, I look at the operations happening in the factory. I look at the machine list. And when I see that a garment has a process which is not done in the factory, then I know that they are definitely subcontracting. Then I question them and the truth starts coming out. Secondly, factories are small and the orders are big. Then you know that factory is subcontracting. Thirdly, you see the records of the factory, you get an idea [about their production capacity]. (Meena)

In Meena's experience, buyers are only concerned when they think that their labels might be shipped out as part of the subcontracting process because it could impact their brand's image. Illegal use of branded labels on local products is a very common practice in India, as Meena explains,

I am surprised that retailers are not bothered whether their orders are subcontracted to fabricators [subcontractors]. Others, who are bothered, are bothered only because their brand image might be affected. You know if you see subcontracting in which the label is going out, that is a major problem. People misuse the labels also. You know in India it happens a lot. You go out in the local market in New Delhi, you will see funny garments with branded labels. (Meena)

Competitive Forces

India's export market is very challenging, which serves as an additional hindrance to implementing socially responsible practices. Labor costs are rising in India, which

increases production costs. Faced with competition from other low-cost countries, Indian manufacturers are losing orders. Thus, Indian exporters are not getting enough orders to survive. As Atif explains, CSR often comes with business growth, but in India, factories often close long before they are fully developed.

Export units are in losses and we are facing a lot of competition from Bangladesh, Sri Lanka and China. Indian exporters don't have orders now, factories are getting closed, so in this situation they can't think about being social responsible. This export market is very risky. See as soon as you grow, you improve and slowly it becomes almost mandatory for you to follow the CSR guidelines. First Indian exporters have to grow, before growing they are getting closed. So this is the problem. (Atif)

Faced with inconsistent market conditions, manufacturers are acting accordingly by firing workers when the production orders do not come in. As Dinesh explains,

One thing is vulnerable market conditions. Indian suppliers are not getting continuous orders. Unfortunately the owners also act accordingly. They throw labor out whenever they don't need them. Of course they have to think about the profitability of the firm. A lot of it has to do with [the] market scenario and vulnerability of the garment industry. (Dinesh)

If a company cannot afford to hire workers, it is unlikely that it will implement CSR as part of its business practices.

Worker Education

Participants talked about how education plays a crucial role in integrating CSR into everyday business practice. India's apparel sector workers are often illiterate, or have very limited education levels. Employees get promoted based on experience, not education. As they are not educated, they are not aware of CSR. Punit puts it this way,

See you and me can talk about CSR, since we are educated. Those who work in [the] garment industry, they are not educated, they don't know about corporate social responsibility. So they don't even think about it. They rise from one level to another without education. For example, today somebody is working as a tailor, after a few months if he is good at his work, he will be promoted as a line supervisor. So this is how they grow in their profession, not by education. These people are not educated so there is a lot of difference in mentality and understanding between us and them. So the management in the factory, I am not talking about the CEO or directors, but line supervisors, quality managers, and finishing managers, production managers they are not so educated. (Punit)

Rajesh further adds that due to years of experience, the workers are experts in their work, but due to lack of education they do not think about other aspects of the business, such as CSR:

Most of the time people working in the garment industry are illiterate, and even people at middle management are not that educated. They know their work very well. They know stitching, but literacy is very limited. They are experienced in their work, but except that they can't do anything [else]. (Rajesh)

This lack of awareness and education among even middle management often keeps them from employing ethical practices. As Suresh explains, “People in the garment industry are not educated. See all the exporters in India, [the] majority of them are not even high school graduates. Even line supervisors, middle management, [they] don't have any education, so they don't know how to treat people. They're like, ‘Get the work done and go home.’”

Participants pointed to a lack of clear communication between upper-level and lower-level workers within factories as another barrier to CSR. According to Sumit, management may be planning to implement CSR but they do not execute it, or they do but do not communicate their plans to the workers.

Majority of the factories don't think about it [CSR]. Even if they will think they will not execute it. The thing is, when management makes a decision, sometimes it will not go to the bottom. They will think about it, and it will not be executed or communicated to the lower level. It's not communicated well to the workers. The information will get filtered when it is communicated down the hierarchy and then most of the information will vanish. (Sumit)

Dinesh points out that transparency in communication is necessary for the execution of CSR. He believes that HR needs to be proactive in ensuring clear communication between workers and employees.

Basically, the HR department should be very active. They should convey things [that are] happening with our employees and to the manager. What employees think should go to the management and what management thinks should go to the employees. Everything should be transparent, but it is not happening. (Dinesh)

Finally, it is important to point out that the workers often want to work extended hours so that they can make the extra money. As Anand explains, "Workers want to make more money... they ask for overtime. They want it." Even if a company tries to be socially responsible and avoid overtime, workers protest and ask for it. Thus, the company faces a bit of a dilemma. As Sumit points out, "Workers are ok with overtime; they get extra money when they overwork. It is like an opportunity for them, so they are fine [with it]."

A Question of Responsibility

Participants' responses varied when asked who they think has the power to implement CSR in Indian apparel factories. However, three specific parties repeatedly surfaced in participants' opinions on the topic: (1) *the Buyers*, (2) *the Indian Government*, and (3) *Manufacturers*. The following sections examine each in turn.

Buyers

Some participants thought that buyers were the most powerful group to implement CSR, even more so than government and manufacturers. As Suresh explains, “I think retailers or the buyers they have [the] most power. See, if they want they can insist Indian factories to be socially responsible.” Suresh thinks that if the buyer insisted that the supplier be socially responsible, then the latter would meet the requirement in order to secure an order. As Sumit points out, “It will happen when it comes from the buyers. If they insist factories to keep CSR in [the] proper way then they will do it. Factory management will obviously listen to them and follow. So [the] buyer has a major role to play.”

Similarly, Divya thinks that since buyers can audit the factories and have the power to reject orders if standards are not adhered to, they are the ones with the greatest potential influence. He states,

I guess [the] buyer has more power than the government. Buyers are giving the business to the factories. If the buyer rejects the whole shipment, then it is almost like an end to the company. If the company does not want that to happen, [then] they have to take care of all the norms required by the buyers. Also buyers audit the factories and not government. (Divya)

According to Dinesh, buyers are even more powerful than the owners of the factories, but one of the biggest hindrances to CSR is that buyers are not taking the initiative to insist on CSR-based business practices:

Factory owners have the most say in the factories. Whatever they say happens in the factory. And buyers have power over owners. In my opinion, buyers are [the] most powerful who are sitting in [the] US or UK. Buyers try to monitor the

conditions in garment industry, but nothing comes down because they are not proactive. (Dinesh)

Based on the website content I reviewed, there was very little specific mention of CSR. Rather, most of the manufacturers included voluntary certification information, such as SA8000 and ISO9000. These certifications are not required by Indian law, but are often required by retailers. To some extent, these certifications do help to ensure some measure of compliance by the manufacturer, but participants suggest that manufacturers could be doing a lot more toward CSR if they were prompted to do so by the buyers.

Government

For some participants, the government is the most powerful party when it comes to insisting that a manufacturer be socially responsible. However, they acknowledge that enforcing CSR in the industry is next to impossible because of corruption, including taking pay offs and overlooking certain transgressions. As Atif explains,

It has to be done by the government at the first stage. There is no one more powerful than government. [But] because of the political corruption it is not happening. If the government wants to improve the conditions of factories they can definitely do it very efficiently, but they don't want to. So these industrialists, instead of implementing all this, they just bribe a government official. (Atif)

Although government has the power, it has yet to make mandatory CSR a reality in the industry. The problem may also be one of efficiency. As Atif further points out, “Government is very powerful, but they are not being efficient. They are not concerned if factories are following laws or not. They should see what has to be done and what should

not be done.” Atif thinks that as long as there are few if any laws enforcing CSR, companies will be unlikely to implement it in practice.

Manufacturers

The power to implement CSR does not solely rest in the hands of buyers or the government. According to some participants, everyone must work together toward CSR as a common goal, including the manufacturers. As Meena points out,

See, one person cannot do [everything]. Only seminars will not help, only training will not help, only the government can't help. Everyone has to come together. See I think owners of the factories are also very critical in improving the conditions. Unless these owners have a vision or they are ready to implement CSR, nobody else can do it. It has to come from within them. (Meena)

In one of the Tier 2 factories I observed, it was clear that the manufacturer has a major role to play in implementing CSR. The factory owners casually told me that buyers do not usually inspect the factory, and there are many times when a buyer does not visit the factory at all. Instead, they communicate through email and telephone. The buyer trusts that the supplier will produce the product in good working conditions, leaving the manufacturer to be compliant and/or implement CSR according to what they think is right. For example, this particular company provides a room for workers to stay in on the factory campus so that they do not have to travel so far to work. However, there were no bathrooms inside the factory. Instead, employees used an open area outside of the factory to relieve themselves.

A Matter of Size

As discussed in Chapter II, most Indian apparel factories are small in scale. Participants believe that, on the whole, large factories in India are more socially responsible, while small factories are not. Thus, as Suresh describes, the few large companies that engage in CSR differ from the majority of smaller ones in how they treat workers.

Some companies are socially responsible and are well organized. They have very good relationship between employee and employer. Till now I have worked with around 50 factories. And I have seen only two factories which I can say with confidence that they are socially responsible. Both of them are big and nice. So you can imagine the current status of Indian factories. These companies treat their employees like an object, they just want to get the work done. (Suresh)

Avi explains that because he has worked with both small and large scale companies he can definitely see a sharp contrast between them. In his opinion, the smaller firms are not interested in implementing CSR and therefore are not practicing it.

My current organization is big and is one of the best exporters in country, but my previous company was not that big and they were not very much interested in CSR. They basically tried to follow the government norms of giving employment to [a] certain amount of women...those kinds. Other than that I have not seen anything. (Avi)

Participants largely think that the problem lies in the fact that big factories have the resources and the budget to implement CSR, while small factories generally do not. As Avinash explains,

Not all factories, but the bigger ones especially are responsible. We have to categorize the Indian apparel sector into two categories, the big ones and the small ones. The biggest ones are actually involved. Big companies have more resources and small companies with very small infrastructure are not ready to do so much in the CSR area. The bigger factories, they take care of their employees, apart from giving them the benefits, they also take care of them. Only certain factories in India are taking care of their employees. Otherwise [the] majority are like, “Do your work, and bye-bye.” (Avinash)

Rahul points to the fact that large companies have the luxury of focusing on CSR because of the availability of resources. These companies also have more awareness and intention to implement CSR since they understand the benefits. He states, “Not all the factories are involved [in CSR], only a few major ones are involved. Only the players are involved because they have more resources, more awareness, and intention to do so. And they can see the benefits of doing it.”

Typically, large factories will have a specific department charged with overseeing CSR activities and implementation. Most small companies cannot afford a separate department. Instead, management is responsible for overseeing everything that happens in the factory. Obviously, small companies are struggling to survive the competition and do not have a lot of resources to devote to CSR. As Divya explains,

Especially for the smaller company, it is challenging to survive the competition and follow compliances as well. See, the big companies have divisions for each and everything, and in small companies they do not have facilities like that. Small companies have to survive in the same pond with the big fishes, which is difficult. (Divya)

Sumit’s current company is large scale and it is concerned about the well being of its employees, but he admits that the primary intention of most Indian apparel factories is to

make a profit: “See I work in a big factory, they do take care of employees, the work culture is very good here. But most of the apparel factories are not like this. They only bother about profits and nothing else. They take less care about employees.” Along with fewer resources, small companies cannot afford the time it takes to become socially responsible. As Dinesh explains,

See there are big companies which are doing a lot of social responsibility because they have lots of resources. But companies in Delhi and NCR [Neighboring Capital Region] are not that big. They don't have that much resources to experiment and implement. So implementation takes some time, some patience and of course money of the owner. No one is ready to spend that much time because time is money. (Dinesh)

Yet, just because a company is small does not mean it cannot employ CSR to some extent. Suresh indicated that even small companies can be socially responsible by taking care of small things, such as being ethical while interacting with employees and keeping the factory clean.

Big factories are very nice. They do lot of things for employees. But small companies in India...they don't have anything. Small companies don't have enough budgets for all these things and also time. But at least small, small things can be done in these small factories also. For example, they can keep their factory clean, they can talk nicely to the employees. So the small, small things can be done, but you know small factories just don't have that kind of culture. (Suresh)

However, according to Suresh, small companies avoid being socially responsible not necessarily because they do not have resources, but because they do not want to change their mentality.

See sometimes big companies, they have like 25 factories, and maybe each factory has 200 machines. But [a] small company will just have one factory with 200 machines. So if you compare a factory of the big company and a small factory, you could see [a] lot of difference. The factory culture is different. So it will take time to change the mentality of people. (Suresh)

In contrast, Meena does not see a relationship between factory size and CSR. She points out that when a big company has a separate social compliance department, it can more easily manipulate the process and outcomes of CSR. In her career as an auditor she has seen many small yet socially responsible firms.

In my opinion there is no trend that small companies are not socially responsible and the big companies are. I've seen a lot of big companies manipulating. See, if they have [a] lot of money, then they can manipulate things better. They have a separate social compliance department which is forging papers. These departments are just to pass the audits. However, the small companies cannot afford things like that. I have also seen ethically correct small companies so I cannot say that there is any trend. (Meena)

In Meena's opinion, the larger companies are not necessarily employing CSR because they want to, but simply to comply.

There are even big firms, the leading exporters...you know, having the daycare is a basic norm. But these big factories don't want to provide that. They just have it for the namesake, it is just a kind of an eye wash. They will just do it for the compliance sake. (Meena)

For Atif, compliance is really just a way to attract buyers, and he thinks that if it was not required, most companies would not do it: "In big factories, yes I would say they do follow compliances to some extent, enough to please the buyers. Their only motivation is to please the buyers. They will not do it if it's not required."

During data collection, I observed both small and large factories and found a great deal of difference between them. The large factories were cleaner and more organized. Not all of the workers were wearing masks, but it was because workers were not comfortable wearing them, rather than a lack of access to masks. In contrast, the small factories were very cluttered and unclean, with fabric and thread waste everywhere. Workers were wearing dirty clothing, there were spider webs everywhere and what safety equipment that was available was unusable. To illustrate the contrast that I observed, a series of photographs taken at the factories follow (Figures 3 - 7). Figures 3, 4 and 5 were taken at a Tier 2 fabric manufacturing company that caters to both domestic as well as international buyers. As seen in Figure 3 and 4, the factory was cluttered and dirty. The floor was greasy, material waste was lying all over, and workers were not wearing face masks. Figure 5 shows that walls of the factory were stained and the only safety equipment observed was a rusted-out fire extinguisher.

Figure 3. Tier 2 fabric manufacturing unit



This picture was taken at a Tier 2 fabric manufacturing company. Note the greasy and cluttered floor. The vicinity was dirty and employees are working without face masks.

Figure 4. Tier 2 fabric manufacturing unit



This picture was taken at a Tier 2 fabric manufacturing company. Note the stained walls, exposed machine parts, and waste on the floor.

Figure 5. Tier 2 fabric manufacturing unit



This picture was taken at a Tier 2 fabric manufacturing company. Note the rusted-out fire extinguisher, which was the only safety equipment seen in the entire factory.

In contrast, Figures 6 and 7 were taken at a large, Tier 1 manufacturing factory. As can be seen in the photos, this factory was very clean and well organized. The employees were wearing masks while they were working at the machines and there was no material waste lying on the floor or general clutter anywhere (see Figure 6 and 7).

Figure 6. Tier 1 manufacturing unit



This picture was taken at a Tier 1 fabric manufacturing company. Note that the employee is wearing a face mask and the surrounding area is clean and well lit.

Figure 7. Tier 1 manufacturing unit



This picture was taken at a Tier 1 fabric manufacturing company. Note, again, that the employee is wearing a face mask and the equipment is clearly well maintained.

Auditing and CSR

Monitoring of manufacturing-related compliances through an audit process is a common practice in the apparel industry. Buyers and/or retailers will generally hire an independent auditing firm to visit their suppliers to ensure that they are adhering to the required standards. Yet the process is not perfect and often does not guarantee anything with regard to the production process. Buyers, however, do not want to encounter problems that might reflect poorly on them and their company. Thus, they will at least go through the motions with respect to auditing, and particularly when locating a new supplier.

Locating a Supplier

Most buyers working for a retail company will place an order through a buying house, and then this buying house finds a manufacturer for them. Once the buying house suggests a manufacturer, the buyer sends an auditor from an independent auditing firm to investigate it. Kunal, who currently works for a popular global buying house, described the process involved in finding a manufacturer for a buyer. According to him, the process, referred to as “Factory Induction,” can be lengthy, often taking up to 8 months to complete.

According to Kunal, the process begins when a request is made by the buyer to find a manufacturer. The buying house then identifies a manufacturer based on the buyer’s production requirements. The buying house sends this manufacturer a “Vendor Induction” form, which requests detailed information about factory capacity, facilities, and equipment. The buying house evaluates the form once it is received from the

manufacturer. If it determines that the manufacturer is appropriate, then the buying house sends a “Vendor Compliance Team” to visit the factory for the initial inspection and to generate a report on the current state of the factory. Kunal explains,

It is a very long procedure [6-8 months]; it is called factory induction. There is a full form which goes to the factory, the factory fills out the vendor induction form. That form comes to us. We put in a request to our vendor compliance team, we take the vendor compliance team into the loop, then the vendor compliance team sends a form to the vendor, that is a very elaborate form and then they set up a date for inspection. On the day of inspection, and this is [a] very, very initial inspection, the vendor compliance team goes and inspects factories and they come with a very initial report. It basically tells about the factory conditions, [and] the current state of the factory. (Kunal)

Kunal goes on to explain that, based on the team’s report, the buying house evaluates what is required to ensure that the supplier can meet the buyer’s requirements. If the decision is made to work with that supplier, then the buying house provides details as to any changes that are required. They also ensure that the supplier receives any assistance they may need to implement these changes in preparation for a second inspection.

If we decide to go with that vendor, we decide what needs to be done to bring this factory up to the buyer’s requirement and how much time it will take approximately. This we discuss internally. We draft a detailed letter and send it to them, saying, “See people, this is the vendor compliance guide book, go through it first, read it and then understand on your own about all you need to do. If you require our help we will come and explain it to you further. But this is all you need to do. Based on this, you tell us when we can come and inspect your factory again.” (Kunal)

Once the manufacturer meets the buyer’s requirements, the Vendor Compliance Team inspects the facility again. The team then sends its final report to the buying office

headquarters, where the final decision about the factory is made. If everything looks good, the buying house will propose the use of the manufacturer to the buyer. In the meantime, other departments within the buying house work out issues with respect to product samples and costing. Kunal emphasized that it is important to ensure that the manufacturer that his company suggests to the buyer actually meets the buyer's requirements, since it will have implications for the quality of the merchandise and timely execution of the order.

Once you're done with that, then the [buying house] internal compliance team goes and they do the factory evaluation audit. Then the factory evaluation report goes to headquarters. Headquarters then approves the report and then they give a request to the buyers that this is the factory we are proposing. In the meanwhile, a lot of work has been done, like exchange of samples, costing. So we bring our factory to a level where [the] buyer can feel comfortable placing the order. They have to come to a certain level because otherwise they will not be able to maintain quality, they will not be able to do many things like maintaining proper documentation. (Kunal)

Once the manufacturer is suggested by the buying house, the retailer then hires an independent auditing firm to investigate the manufacturer. Obviously, the entire process is extremely time consuming, therefore once a buyer identifies a manufacturer that meets all of its requirements, he or she wants to keep the working relationship intact. As Kunal puts it, "Identifying a new supplier take a lot of time. So once we identify suppliers who are compliant with all standards, buyers try to stick with them to save time."

The Audit Process

Meena, who is an auditor, explains the process based on her own experiences with it. As an auditor, she is responsible for producing audit reports (while protecting the

workers' identities) and sending these reports to clients (buyers/retailers). The auditor generally evaluates a manufacturer based on the buyer's requirements and then the latter can decide to take action based on the contents of the report. As she explains,

When we go for audits, we have a pre-designed format. We look for the compliances or standards which our client has asked that particular factory to follow and also looking at the local laws of the country is the basic parameter. We send a report to the clients. See we do not penalize anybody, the client does. Our work is to only provide reports and also to protect the rights of the worker. We do not reveal the identity of the workers we interview.

Meena explained that offering a bribe during an audit is common in the Indian apparel industry, and that the auditor will usually accept it. For example, it is typical that during a visit, an auditor will find an issue regarding subcontracting (i.e., subcontracting work out to a lower tier unit). When the supplier learns that the auditors have discovered the issue, they will often try to bribe the auditors not to report it. Audit reports are very important to suppliers, as they can significantly influence the activities of buyers. She explains,

When the auditors go for audits, factories offer bribes to the auditors and most of them fall for it. It happens to me also a lot of times. We went to a factory, we found out an issue of subcontracting. Supplier was ready to offer us lot of money, so that we don't mention anything in the report. I don't take bribes, but imagine if I would have taken the bribe and put a "No" instead of a "Yes" in a report, it would have made a lot of difference for that supplier.

Meena further explained that auditors complete two types of reports: a short report and a long report. The short report must be completed the day of the audit and shared with the manufacturer. Both parties then discuss the outcomes of the audit and

must sign off on the report at the end of the discussion. In contrast, the long report is completed within a week of the visit and contains all of the responses in detail.

See there are two kinds of reports, the short report and long report. The short report we have to give on the day of audit only. Another report is a long report in which we have to explain everything about each and every comment. So we have to get short report signed by the manufacturers. We sign and they also sign.

According to Meena, discussions between the auditor and the manufacturer as to the results of the audit are usually very lengthy and often result in heated arguments. Many manufacturers do not hesitate to show their anger and get aggressive, especially towards a young female auditor.

To get them to an agreement is not an easy job. Closing meetings go up to 2 to 4 hours. You have to keep yourself calm, sometimes it gets into a heated argument. We have to explain to them, we have to convince them. They argue on each and every point. We tried to explain, but in case they don't want to understand, or they don't want to sign it we don't force them. We also encourage them that if they want to sign with the comment that the auditor was bad. They can still do it. They especially get mad when they see a female auditor or young auditor. They really get angry during the closing meeting.

Although the auditor explains the findings to the manufacturer, it is difficult to get the manufacturer to agree on them. The auditors do not force the manufacturer to sign the report, and will give the latter the option of signing and including negative comments about the auditor. According to Meena, the job of an auditor can be dangerous and scary at times. Auditors are often threatened by the manufacturer if the audit report is not favorable. Meena talked about instances when the supplier tried to emotionally blackmail the auditor by suggesting that an unfavorable report will result in a lot of people

becoming unemployed. There are even worse cases, such as when auditors have been threatened with knives, or locked inside the factories for days.

There are cases, where people [suppliers] get emotional and they cry in front of us. They will cry that if you provide a bad report buyers will take back all the orders from them. Their factories will be shut and [a] lot of people will be unemployed. They try to emotionally blackmail us that “Don't you think you will make so many lives miserable.” So they give us of all these kind of emotional crap. They also threaten us, there are cases where we have been shown knives. We are generally two in number when we go for audits, sometimes single, very, very rarely more than two. So it's a scary job. There are cases when auditors were locked in the factory. In a room they were locked, their mobiles were taken away. It is a desperate situation. There is a [huge amount] of money involved in it, if one order is cancelled then it might impact the whole business. It is a do or die situation for them.

For suppliers, a bad audit can mean the loss of the company, and so they are clearly prepared to do what it takes to save their business.

A buyer's actions based on the audit findings will usually depend on the supplier's degree of non-compliance. If it is minor, then suppliers are given the chance to correct themselves. If the situation is more serious, then the supplier is not given any further orders. However, as Akhil pointed out, if it is a very serious issue, such as the presence of child labor, all orders are cancelled immediately.

There are different levels or categories of non-compliance. If non-compliance is a very, very minor thing then we can give them a corrective action plan and we would give them a certain time limit to execute that plan. After that time again re-auditing or re-checking would be done. In case there is a major non-compliance then we would only execute whatever order they are doing and further there will be no business. But if there are serious issues then immediately all orders will be withdrawn. It all depends on the degree of the non-conformity. (Akhil)

Forging Compliance

Although retailers try to get an accurate and independent view of the manufacturer's facilities (often going beyond the buying house's efforts by sending auditors from independent auditing firms) there are many potential loopholes in the process. As a result, buyers do not often get the "real picture." One reason for this is that audit visits are always announced in advance, providing the manufacturers time to prepare for passing the auditing process. This includes selecting the workers that will be present on the day of the audit. For example, on the day of audit, a manufacturer will ask the child workers not to come to work. Manufacturers can also falsify workers' salaries and working hours to ensure that the auditor does not find anything in the records contrary to the buyer's standards. As Dinesh explains,

They [buyers] will hire [an] independent auditor and ask them to go for social compliance auditing. Manufacturer knows in advance when auditors will come to audit the factory. For that day or that period they will ask all minors not to come to work. Secondly what happens is they manipulate labor salaries on paper and their working hours. We do this, I know this happens. So, auditors do not find anything. (Dinesh)

Another problem is that the buyers do not visit the factory in person. Instead, they send a local auditor from an independent auditing firm, which may interfere with the credibility of the auditing process.

Even though the buyers want to import from responsible factories, they are still not very proactive about it. Hardly, I have seen any foreign buyers coming in the factory. Most of the time, they send Indian auditors from a third-party auditing firm for auditing. And then you know what happens, the auditing does not happen how it should happen. (Suresh)

Meena agreed with this view and explained that when she goes to do an audit, she can usually sense that the manufacturer has prepared for the visit.

Most of the audits are absolutely announced audits. Some clients have audits within a window period, we let the factories know that we will be coming from say 5th Feb to 15th Feb anytime. And we can go without telling them during that window period. After auditing [the] last five years, when we go for audits we can see that they are ready for us. (Meena)

According to the participants, there are other ways to be compliant, at least on paper. Manufacturers can forge their reports for auditing purpose. As mentioned above, they can manipulate the records of salaries and working hours. If an employee worked overtime, he may get paid for the extra hours but the factory records are adjusted to record a total number of working hours that adhere to the legal maximum.

In a factory, total working time of an employee is fixed according to laws, they should not exceed that. But what they will do, they keep the file separately of that employee like they will show only regular hours in the reports. Workers will be working more than 16 hours also. But on paper it will be just 8 – 10 hours or whatever the maximum limits are. The original file [with actual working hours] will be maintained separately. Wages will be also given for the extra hours but they will not show that on paper because it is unethical and not according to laws. (Sumit)

The auditing process includes cross-checking the documentation with interviews conducted with workers to determine whether the documentation is consistent with the workers' responses. If the auditor finds no discrepancies, then they generally do not investigate any further.

Not all the compliances are followed in factories, but on paper they are following everything. Buyer comes and audits, everyone knows when the audits are going to happen. Factory's management tells the operator what to say and what not to say when auditors come. Auditors do not find anything wrong in the factory. When auditors come they get good reviews from workers, everything is perfect on paper and they openly say that if on paper everything is good then we are good. There are no surprise visits. So buyers can't do much. (Rajesh)

Since the paperwork has been adjusted, and because everyone in the factory is prepared for the audit, most suppliers pass an audit without any major problems.

Moving forward with CSR

Although CSR offers many benefits, the Indian apparel industry is clearly struggling with its implementation. Participants shared various ideas as to how Indian manufacturers can overcome the challenges to move forward with CSR. Included in these ideas were considerations of requiring CSR, ideas for rewarding it, as well as finding ways to promote its short- and long-term benefits.

Forced versus Voluntary

Participants think that, in general, apparel manufacturers in India lack an overall awareness of CSR. Punit thinks that awareness and education would be more helpful in implementing CSR than forced implementation, and believes that if suppliers are forced to be socially responsible, then they will simply find a way around it.

See you cannot make a company socially responsible by forcing them. These things need to be imbibed in the companies' culture. Rules are made every day and then they are broken every day. If you forcefully impose a rule, then people will find a way to break it. They will pretend that they are following the rules, but in reality they are not. So more than force, education and awareness will be helpful. (Punit)

Likewise, Ryan thinks that compliance and CSR are different, in that the former is mandatory while latter is voluntary. Manufacturers could be forced to follow compliances but not forced to be socially responsible. As Ryan explains,

I do not understand, how can you force someone [manufacturer] to do CSR? Social compliance is different and CSR is different. You can only force manufacturer to follow social compliances, you can even punish them if they are not doing it. But you cannot force someone to do CSR. It is on them if they want to do it or not. (Ryan)

Nearly all participants indicated that there is a need to educate manufacturers to change their mentality about what it means to run a socially responsible business. Participants suggested that regular seminars, workshops and training should be conducted to increase manufacturers' awareness of CSR. Punit points to the importance of making CSR a part of the general work culture. He explains that the managing director of his company is aware of the benefits of CSR, and this awareness is making a big difference for the company.

See my company is in leather exports from last 21 years. Our managing director is passed out from London School of Economics, so he does a lot of social responsibility. Since he is aware, he makes sure that everybody is aware about it. He ensures that down the line also people know about it. One person is making a lot of difference in our factory. Imagine if more people are aware, it will make a huge difference. (Punit)

Reward versus Punishment

Most of the participants think that it is a good idea to reward socially responsible firms and punish those that are irresponsible. Rewards will encourage firms to continue being socially responsible and to put more effort into it. Similarly, punishment would

make firms aware of why their behavior is unethical and give them a chance to change.

Other firms might also improve and try to be socially responsible when they see peer firms being punished. As Divya explains,

I think that [punishment and rewards] will help. Once they get to know that they are rewarded for being socially responsible, they would be more interested in doing more and better things for the society. By punishing at least they will come to know what wrong they have done. They will become more responsible that way. When others will see somebody getting punished, they will also improve. (Divya)

Likewise, Atif thinks that punishment will help regulate irresponsible behavior.

He emphasized that if a firm is not punished, then this encourages others to behave similarly. Atif also thinks that rewards will be helpful in encouraging firms to implement CSR, but that one of the problems is that whenever a firm is rewarded it is not communicated well to other firms. Thus, the idea of reward would not necessarily impact other firms.

If one person will do something wrong and if they are surviving in the market, than ten others will copy them. So punishing is very important. Reward will be helpful too. Issue arises when they are being rewarded, but that information is not disseminated among other factories. If a reward is given but it is not communicated well across and then it might not impact others. But if this is communicated well then it will motivate others also. (Atif)

Punit believes that incentives for being socially responsible are a good idea but that they should not take the form of money. If money is involved, then it may have the wrong impact, since suppliers might use unethical means to get it. Rather than money, a socially

responsible firm should be recognized in a way that allows it to stand out among other suppliers.

Rewards are fine but it should not be in the form of money. Money has [a] lot of power. If it is about money, then people will again find wrong ways to compete with each other. Rewarding can be done in a way that buyers should acknowledge the vendors who are socially responsible, their name should be put somewhere. See if a vendor's name is taken among other vendors then they will feel proud of it and others will get motivated. Sometimes if there is no reward there will be no motivation to do all this. If you give a reward to somebody he will say, "Oh till now I was doing it on small-scale, now I will be doing it on a big scale, since people recognize my work." (Punit)

Nearly all of the participants were in favor of rewarding companies that are socially responsible, since it could be a motivating factor for other companies to follow suit. Yet, at the same time, several were not in favor of punishment. Rather, according to these participants, companies should be made aware of their good and bad practices and should be encouraged to be socially responsible. As Rajesh states, "Just highlight the bad and good things. Rather than punishing, encourage them to be ethical and socially responsible." Similarly, Punit thinks that firms should be punished if they are breaking the law, but not if they choose not to be socially responsible: "No, punishing is not a good idea, you could not force anybody. If they are not doing basic legal stuff then maybe, but you can't punish anyone for not doing anything for the welfare of society."

Promoting the Benefits

Participants think that professional associations could be active in supporting CSR. For example, at export association events such as trade shows, exhibitions, and

fashion shows, information about CSR could be made available. This kind of support would promote awareness of CSR even among small factories. As Rahul explains,

There are so many organizations like Apparel Manufacturers Association and the Okhla Garment Exporter Association, these kinds of associations should be more active and more involved. And whenever we have these fairs, exhibitions and fashion shows, somebody should start talking about these things. So that even smaller factories know that there is some responsibility called CSR also. And they will become aware about this topic. I feel smaller factories are not even aware about these kind of topics. (Rahul)

Similar to Rahul, Rajesh points to the importance of education in implementing CSR and for changing the general thinking about it among Indian manufacturers. He believes that without education and awareness, Indian manufacturers will not change, and shared an example of how one of the largest exporters is not in favor of overtime, yet it manages to still complete its orders on time.

This Number 1 exporter in India, they are not doing OT [overtime] and if they do OT, the salary is double. If they do OT for 2 hrs, then [the] company has to pay for 4 hrs in OT. This exporter is not doing OT. First I used to think operators earn less here since they do not have OT, then I realized they are very motivated and work efficiently. They compensate OT with an extra bonus. Like if they achieve their production goals [workers] get gold coin which is around Rs.14,000. So they have the opportunity to make extra [money] every month. They are motivated by these extra benefits. They only work for 8 hours, but work happily and efficiently. So they are more productive than factories doing OT. They save [a] lot of money by not doing OT and providing extra benefits. Factories need to think that way. (Rajesh)

Since they are socially responsible, their employees are motivated and efficient. Workers make good money without overtime because they get a bonus for being efficient. On the

other hand, factories which are not socially responsible have to do overtime, which suggests a level of production inefficiency.

According to Rajesh, over the long term workers are often happier and more motivated in socially responsible firms. Workers might be happy with the overtime for a short time since they are earning extra money, but for the long term, working for extended hours does not make them happy.

In other factories workers do OT, but if they do 2 hours OT they are fine but more than that they are not happy. They want to go home. They have personal issues or maybe for [a] limited time they are fine, since they want to make extra money but not for [a] long time. See in other factories, workers are doing OT they are getting extra money. In socially responsible companies they are not doing OT, and still they are getting extra money. Workers are more motivated in socially responsible companies. There is no doubt about it. (Rajesh)

Rajesh provided another example of a company that has employed CSR to attract and retain workers. Worker turnover is very high in Delhi and the neighboring region. To keep its employees, one of the large export houses gives them bicycles after 6 months of work in the factory.

In other big factory, if a junior operator completes 6 months, they give them a new bicycle. Some factories are doing this. One of the major problems in Delhi and NCR [neighboring capital region] is high employee turnover. It's around 10% daily. It hampers the productivity. So factories are doing extra things to make workers come every day. In this case, extra benefits are beneficial. Ethics also come in [to the] picture here. Workers are happier in companies like these. (Rajesh)

Many participants think it is important to educate manufacturers about CSR in terms of the monetary benefits. That is, the financial gains that can result from CSR. If

companies are made aware, then they may be more likely to consider implementing it.

Otherwise, they see CSR as an extra cost, and especially at the beginning stages. As

Kunal explains,

See you have to tell the factory that if you go with CSR, then these will be your rewards, these will be the returns. The returns should show some financial gains. That's how it works in India. They should show some financial gain out of CSR. We have to make companies understand that CSR is an investment. [At the beginning] they might have to spend to hire people who are educated, somebody to monitor CSR activities, you might not have the output in a year or two. It might take three years or five years to have some kind of output. But it will be of advantage in long term. In India people see CSR as an additional cost because they don't know what is the advantage. That is why they see it as cost. When they will understand the advantage they will see it as an investment. (Kunal)

Similar to CSR, Atif shared his experience with the implementation of lean

manufacturing at the company he currently works for. Initially, everyone was skeptical

and uncomfortable about implementing the new concept, but eventually everyone could

see the benefits and bought into it. Convincing management about the benefits of a new

concept, whether it is CSR or something else, is difficult enough, but then management

has to convince the employees of the benefits as well.

A few months back our company applied the concept of lean manufacturing. So it is basically to ensure that we are doing our work smoothly just by setting the workplace in a better manner and in more organized manner. After this was implemented I could feel within one month that there is some difference. There was less confusion; they kept their workplace in a better manner. We had to educate our employees about this. They were [a] little uncomfortable in the starting, but then we told them about the benefits of lean manufacturing, and in a month they all were very comfortable about it. So everybody has keep patience also. The best way to convince an organization is to tell them about the monetary benefit. We implemented lean [manufacturing] because somebody was convinced about the economic gains out of it. (Atif)

Atif thinks that it would help to have data that showed the financial benefits of CSR, as well as the costs of not being socially responsible. Companies invest a lot of money in training new employees, and if these employees quit, the company loses its investment:

Somebody should do a study on how much money a business can lose if their employees do not stick with them. This way factories will realize the importance of being socially responsible. But now at this point they are not aware of it. We have to tell them that to train employees you invest [a lot of money] and when they leave you lost all that money. So if we tell them in a form of a value, probably they will understand. (Atif)

CSR as Good Practice

One of largest buying houses that does business with Indian suppliers shares its CSR activities on its website. Because the company is headquartered in Hong Kong, its focus has been the environment, specifically efforts to reduce water consumption:

We recognize that water is a scarce and valuable resource and have therefore made efforts to reduce our water consumption in Hong Kong and globally. In 2010 in our Hong Kong operations we consumed 9, 790 cubic meters of water, which is a 5.5 % reduction on our consumption in 2009. We will continue to roll out water reduction efforts in our global operations.

The company also shared that they are running a waste reduction campaign and that by reducing paper consumption, “Our waste reduction campaign focused on reducing A4 paper consumption, and in 2010 we achieved a reduction of 20.9 % paper consumption per colleague in our global operations.”

Participants think that two things are required for the successful implementation of CSR in India: (1) it has to be sustainable, and (2) it must generate some kind of

economic benefit. For example, Rahul shared two projects his company was involved in that are both socially and economically beneficial. The first project was in collaboration with an NGO, where they trained illiterate and poverty stricken people to work as tailors.

We collaborated with an NGO. We installed a few machines, around 40 machines. There was a prescribed course for them. It was a three-month training program where they went through all the procedures and training to become a tailor. After successful completion of the training, they were ensured a job in our company. That's helped commercially as we got tailors with some basic knowledge and at the same time we helped uneducated poor people to train them and get a job. (Rahul)

This project not only helped people to secure a job, but also helped the company, in that it had access to trained workers. For the second project, the company collaborated with one of its buyers to set up a center where groups of females were trained in doing handwork such as embroidery, surface ornamentation, and embellishment. The center complied with all standards, and provided jobs to females in a safe and clean working environment. It also became a center for the company's handwork orders.

A second project was in collaboration with one of our buyers. We have taken a place in Haryana near Sona. There was a place where ladies can come where they had proper sanitation facilities. They were trained for the handwork. So that become our center for handwork like surface ornamentation, embellishment and hand embroidery. This program was actually covered by the press also. There we had around 200 females getting training and working for us. This project was commercially also very successful. See especially in the handwork, [a] lot of child labor and female workers are involved. Mostly the places they work don't have proper facilities. So this project was executed by following all the standards. This project gave them employment in a very good working condition and very close to their place. (Rahul)

According to participants, CSR can be gradually implemented into everyday business practices by educating both workers and management about its benefits. Participants think that many elements of CSR are simply good practice, in that they can not only provide economic benefits, but enhance the welfare of people, society and the environment.

Summary

This chapter presented a thematic interpretation of participants' responses. Seven topical areas surfaced as important for understanding Indian apparel manufacturers' perceptions of CSR, which were further explored through themes that emerged within each. The next chapter presents a discussion of the findings based on this thematic interpretation and provides conclusions and recommendations grounded in the data. Suggestions for future research are also provided.

CHAPTER V

CONCLUSIONS AND IMPLICATIONS

The purpose of this study was to investigate Indian manufacturers' perceptions of corporate social responsibility in the apparel industry. A thematic interpretation of the participants' responses helps to explain what CSR means to Indian manufacturers and its role in the context of Indian manufacturing operations. This chapter begins with a discussion of the broader findings that emerged from the interpretation and connects the participants' experiences with the key issues regarding CSR that were outlined in the literature review. This discussion is followed by an examination of what the findings mean relative to the theoretical concerns guiding the study. A series of recommendations are then provided. The chapter concludes with a discussion of the limitations of the study and suggestions for future research.

Discussion

This section will begin with discussion of current CSR practices in the Indian apparel industry, followed by a look at the reasons why Indian apparel manufacturers are implementing CSR and why they are not. The relationship between firm size and CSR is then examined, followed by discussion of the future of CSR in India and particularly within the apparel industry.

Current CSR Practices

As discussed in Chapter II, most of the apparel businesses in India are classified as small or medium sized enterprises. Participants shared that many of the companies that are actively involved in CSR are large firms, falling within Tier 1 or Tier 2 of the Iceberg Model (Hales & Wills, 2005). Avinash, like other participants, explained that large firms are socially responsible because they have the resources to implement CSR practices,

Not all factories, but the bigger ones especially are responsible. We have to categorize [the] Indian apparel sector into two categories, the big ones and the small ones. The biggest ones are actually involved. Big companies have more resources and small companies with very small infrastructure are not ready to do so much in the CSR area. The bigger factories, they take care of their employees, apart from giving them the benefits, they also take care of them. (Avinash)

CSR activities currently seen in the Indian apparel industry are primarily people-focused, society-focused or environment-focused. However, most CSR activities cited by participants focus on employee welfare, including teaching employees about health and safety awareness, creating opportunities for community building, and providing general education to employees. Many apparel workers have very limited or no formal education and come primarily from rural areas. As a result, they are not generally aware of basic health and safety concerns. For instance, Arpit, the head of the washing department, described how workers are required to wear gloves when they put their hands in the washing vats, since the chemicals used are very strong and can harm skin. Despite the risk, workers often do not wear gloves. Thus, management intervened by educating the workers about the ill effects of the chemicals and the need to be more cautious:

We tell workers to wear gloves when they are working with the detergents. But they do not want to do it. For them it is extra work. Then we conduct workshops and tell them, sometimes scare them, what all can happen if they do not do it. So once we tell them they become more careful. So this type of information should be passed on to workers. Most of them have not heard about these basic things. (Arpit)

One of the most popular types of people-focused CSR activities revealed by this study were those pertaining to opportunities for community building. For example, a company might celebrate major festivals on the factory premises or organize cultural or sports events for the employees. Such activities are designed to promote a sense of belonging among the workers, in that managers think that a sense of belongingness helps to make the time spent at work more fulfilling. Sunil shared that his current company organizes sporting events such as cricket, where employees are encouraged to take part, and that this gives them an opportunity to have fun together. He explained, “In my company we have a day for sports for employees. We try to do it two times in a year. We recently organized cricket. It was a lot of fun. Everyone enjoyed [it]. Workers loved it. Even if someone is not playing, they cheer for the workers who are playing.” Finally, because many workers come to the industry with very limited job skills, some companies implement job training for workers as a kind of CSR. Amar shared an example where, due to limited knowledge about operating a new machine in the factory, not just one, but a few workers were seriously hurt. As a result, management intervened and provided training on how to operate the new machine.

We got this huge order of jeans where we had to put on special rivets. Generally we outsource that. But this time we had a big order and we decided to buy the machine. There are two parts of the rivets. So you put fabric between two parts of

the rivets and then you press the machine's button and a very heavy weight falls so that two rivets get attached together on fabric. But you know, workers did not read the manual and this machine was new to our factory. One of the workers told me that he can do this job. As soon as he pressed [the] button the weight fell on his fingers. We had to rush him to hospital. And right after that another worker tried and it happened again. Then management called the machine people and asked them to give training to the workers. (Amar)

In addition to people-focused activities, current CSR activities in India also tend to focus on improving society and protecting the environment. Society-related CSR activities largely focus on giving back to others in some way, such as helping the underprivileged by providing them food, water, shelter and medical care. As Shiv explained, "An organization has a responsibility towards the society and towards its people. They should work towards uplifting the people in society by giving them basic amenities." Environmental-related CSR activities include treating factory waste properly to avoid harming the natural environment. Most of the participants specifically talked about building an effluent treatment plant as a kind of CSR. As Atif pointed out, the environment impacts a large number of people, therefore CSR activities should focus on environmental welfare, "I guess the environment is very critical, you can't harm the environment, it belongs to everybody." In India treating factory waste is a major problem. Unlike developed countries, India's legal system does not monitor whether or not factories are treating their waste properly. Therefore, even those activities which are required by governments in western countries are considered a form of social responsibility in a developing country like India.

The findings of this study are consistent with those of Khan's (2008) study of Indian CSR practices, wherein CSR activities are primarily inspired by Gandhi's concept

of social trusteeship and thus focus on the well-being of employees. This focus is likely also due to the nature of the industry and the fact that India is a developing nation. The Indian apparel industry is very labor intensive, and due to a lack of resources, tight deadlines and the extreme pressure of keeping production costs low most working conditions are not very good. Manufacturers who can focus on social responsibility do so to take care of employees. Moreover, India is still struggling to provide basic amenities to all of its people. Indian factories lack the resources needed just to treat their employees well.

Indeed, it is evident from the data collected for this dissertation that western concepts of CSR do not necessarily translate to a developing country like India, which is currently struggling simply to meet economic, legal and ethical responsibilities (Carroll, 1979). Thus, it is not surprising that in India, CSR equates to the basic needs of taking care of people (i.e. workers), society and the environment, rather than philanthropic responsibilities. Perhaps as India becomes a fully developed nation like those in the west, companies will have the luxury of engaging in the philanthropic responsibilities cited by Carroll (1979).

As mentioned in Chapter II, many authors have defined CSR, but there is little agreement as to exactly what CSR is. Moreover, most of the CSR definitions in the literature are based on practices of companies in developed countries. To date, there is no definition of CSR as it is practiced by firms in developing countries, and especially for a labor intensive sector like apparel. This study addressed this gap in the literature by seeking to understand what CSR means in the context of a developing country. Based on

the findings of this study, in the context of the Indian apparel sector, corporate social responsibility can be defined as a firm's commitment to adopt policies and conduct activities that have a positive impact on employee welfare, society, and the environment. Moreover, CSR must not be engaged in solely for profits. However, as will be discussed later in this chapter, in order for Indian apparel firms to accept the idea of CSR, it should be economically sustainable and result in either direct or indirect financial gains.

Why Implement CSR?

The data reveal that Indian apparel manufacturers see several benefits of CSR. Yet at the same time, they clearly face steep challenges to its implementation. From the perspective of the participants, the challenges tend to outweigh the benefits. The short-term expenses, misperceptions about the financial benefits of CSR and the additional burden of implementing CSR-related policies and activities tend to overshadow perceptions of the long-term benefits. As Anand explains,

Indian companies see CSR as an additional expense. They do not have that kind of money and also they do not have time to think about it. Another thing is they do not have much knowledge about CSR benefits, thus they have no motivations or intention to implement it. (Anand)

Despite the difficulties, participants talked about a variety of benefits that could be gained by implementing CSR, such as employee retention, enhanced employee commitment, and an improved company image. For the participants, employee retention was the most obvious benefit of CSR. That is, if working conditions in a factory are good and if the employees are treated well, then they tend to stay with that company. As Aditi explains,

One of the immediate benefits [of CSR] is that workers will not leave the company. If a company is socially responsible and treats workers nicely, then obviously workers will be happy to work there. Fewer companies are like this and workers will like to stay with responsible companies. If workers are happy and satisfied then they will not shift to other companies. (Aditi)

Indeed, participants pointed out that employee retention is very high in socially responsible Indian firms as compared to non CSR firms, largely because CSR plays a crucial role in overall employee satisfaction, which translates to worker loyalty and low turnover. As Sumit explains, “It [CSR] is very important because employee satisfaction matters in [the] corporate sector. When employees are happy, they would stay with the company and would not leave [it].”

In addition to employee retention, another benefit of engaging in CSR that emerged in participants’ responses was enhanced employee commitment. That is, CSR motivates workers to work more efficiently. If employers treat workers ethically, the latter develop a stronger commitment to the employer, to the extent that they may even work extra without expecting higher pay. As Rajesh explains, “I used to treat them [workers] nicely, they used to work extra for me without asking for any extra money. I developed [a] personal relationship with them. I used to help them in their problems, they used to help in my problems.” In other words, workers in socially responsible firms do not see work as a burden, rather they feel positive when they are in the factory and are motivated to work efficiently.

Employee retention and commitment are not the only potential benefits of CSR in the Indian apparel industry. CSR can also enhance a company’s image. Although it is a long-term benefit, being socially responsible can build a company’s social reputation and

help it to gain others' trust. Buyers do not hesitate to do business with these companies, since it is difficult to find socially responsible firms in India. Once buyers find such a company, they seek to do business with it for the long term. As Dinesh explains,

If you are socially responsible, people will know you and then slowly, slowly, you will build your brand image and then they will get orders automatically. See the companies in India which are right now socially responsible, they have started it long back, and slowly they have gained so much reputation and respect that buyers give orders to them blindly. (Dinesh)

Consistent with Falck and Heblich (2007), participants in this study viewed CSR as having both supply- and demand-side benefits. On the supply side, CSR activities can be instrumental in attracting, retaining, and motivating employees. On the demand side, CSR results in an enhanced company reputation and goodwill. Indeed, apparel manufacturers invest a lot of money in hiring and training workers. The employee turnover rate is very high in the Indian apparel industry. When a worker leaves a company, the result is a financial loss to that company, in that it loses the money spent on training the worker. Implementing CSR is a possible solution to this problem. The same idea can be related to firm growth. That is, the better the workers work, the more profits a firm can make (Margolis & Walsh, 2001). Moreover, an enhanced company image can also lead to financial gain. If a manufacturer invests in CSR activities and builds a reputation for social responsibility, it is likely to build more lasting relationships with buyers. In turn, the company does not have to go out looking for orders. The company may even save money on advertising, as a result of having developed a good reputation in the industry. This may be one reason why some Indian manufacturers that practice CSR

do not include information about such activities on their websites. For instance, one of the large factories I observed that was involved in a great deal of CSR-related activities did not include anything about CSR on its website. When one of the participants, an employee of that company, was asked why, she responded that it does not need to because it has built a good reputation.

As far as I know our company does a lot of social activities, but they do not spend money on advertising it. But it [the company] has a name, from its work and from its good environment. It has a name, so they don't have to advertise themselves.
(Divya)

As discussed in Chapter II, the literature does not offer a clear understanding of the relationship between CSR and profitability, and there is nothing about this relationship in the context of a developing country. Thus, the findings of this dissertation address these gaps by indicating the ways that, even in a labor intensive industry like apparel, CSR-related practices can have both short- and long-term benefits, and that CSR can lead to economic gain.

Challenges to CSR

Although participants acknowledged several benefits of implementing CSR, they described many challenges that Indian manufacturers face in doing so. The most common challenges to CSR that participants cited include: (1) tight production deadlines, (2) management and owners who are reluctant to change, (3) buyers that are not very supportive, (4) the vulnerability of the country's export market, (5) lack of education among workers, and (6) forged compliance documents.

Because the Indian apparel industry is labor intensive, its workers are regularly required to put in long hours so that companies can deliver orders to buyers on time. Similar to Linfei and Qinglinag's (2007) study on China, in India, like in other developing countries, it is difficult to control worker overtime due to the pressure to achieve tight deadlines. During the past five years, the Indian export market has become extremely competitive, as it faces tough competition from other developing countries, such as Bangladesh, that offer low production costs. Labor costs are rising in India and buyers are looking for manufacturers who can produce an order quickly and at a very low price. As Vikki explained,

Buyers are continuously looking for better prices. All they are concerned about is getting the best price and on-time shipment. See we are facing a lot of competition from other developing countries. In India labor cost is increasing every day. It is very tough to compete with other countries with cheap labor cost. If we do not give [the] cheapest rate then buyers will not do business with us. (Vikki)

These competitive forces mean that manufacturers look for ways to cut production costs, which ultimately leads to a decrease in wages and poor working conditions. Thus, CSR is the last thing that these companies tend to be concerned about. Indeed, their foremost concern is executing orders quickly at low cost because if they fail to do so, the buyer will simply move on to a supplier who can offer better rates and quick shipments. Ultimately, even if an Indian apparel manufacturer wants to be socially responsible, data from this dissertation suggest that tight deadlines and market vulnerability are likely to prevent them from doing so.

As discussed earlier, most apparel factories in India are family-owned, and most are small and medium sized enterprises. For these companies, CSR is a new concept, and one that many are not necessarily happy to embrace. Participants explained that CSR is viewed as an additional cost and an added burden for the business, in as much as business owners do not see its benefits. As Punit states, “They do not see any point in implementing that [CSR], why will they do it? They do not want any new thing to come into their way. Especially the small companies, even though it might benefit them, they will not implement it.” Although owners and management play an integral role in implementing a company’s policies, many appear to lack an awareness of the long-term benefits of CSR, and so are reluctant to implement such a change.

On the other side of the issue are those manufacturers who are willing to implement CSR, but lack support from buyers. Participants described how most retailers are only concerned about getting the product on time and are not necessarily bothered about factory working conditions. In cases where a buyer learns that a supplier is not complying with regulations, instead of encouraging the supplier or providing support for improvement, the buyer usually just stops doing business with that supplier. Participants revealed how buyers are not always keen on finding out if production is being done entirely in the factories they have placed the order with, or if a part of the order is being subcontracted to a lower tier company. As long as buyers are getting their order delivered on time, they are not overly concerned with where or how the order was completed. Finally, as was revealed in the interpretation, because buyers are not being proactive about compliance, manufacturers often pretend to comply.

Participants frequently emphasized that in the Indian apparel industry, workers and even middle management are often illiterate or have very limited education levels. Such low education levels result in a lack of awareness and understanding of CSR and its benefits, in that workers know what is required for their jobs but do not necessarily see how things could be better. Middle management seek to interact with workers only to get the work done. Both parties accept the nature of the relationship because they do not know otherwise. As Rajesh points out,

Most of the time people working in the garment industry are illiterate and even people at middle management are not that educated. They know their work very well. They know stitching, but literacy is very limited. They are experienced in their work, but except that, they can't do anything [else]. (Rajesh)

Obviously, workers are focused on making money, and may not know their rights or be aware that there may be alternative kinds of work environments. Production workers will often ask for long hours so that they can make extra money. For this reason, it is difficult for management to implement socially responsible policies. As Akhil explains, "Workers want to earn more money. They are not happy if we do not give them overtime. They ask for it." This finding is consistent with that of Kaufman, Ekalat, Nongluck and Dravid (2004), who found that Thai workers willingly sought overtime, thereby creating a dilemma for management, in that the company could either meet compliance expectations or workers' demands for overtime. Indeed, Indian apparel workers are struggling to take care of basic everyday needs, therefore they focus on earning as much money as they can. CSR would prevent the workers from working long

hours or overtime, and overtime allows the company to meet its production deadlines. As a result, the potential health hazards due to overtime are ignored.

As revealed in the interpretation, the fact that apparel manufacturers forge compliance documents during factory audits is another major challenge to implementing CSR in India. Most buyers hire independent auditors to review the Indian factories that they place orders with. Yet, as participants pointed out, nearly all audits are announced ahead of time such that manufacturers are aware of when the auditors will be visiting the facility. As a result, manufacturers have plenty of time to prepare the factory for the audit.

When an auditor visits a factory, he or she is there to find out whether the company is following the compliance expectations required by the buyer. During the visit, the auditor observes the factory, checks factory records and reports, such as records indicating wages and hours, machine and equipment service records and order capacity. They also interview random workers to determine if the records are consistent with what the workers say. Participants explain that forging records, especially employees' records, is a common practice in the Indian apparel industry. This appears to be common in manufacturing counties in other areas of Asia as well, in that a study by Welford and Frost (2008) found that audits in Asian countries are often similarly flawed. This is perhaps because, as participants mentioned, legal systems in these countries are either not very strong or can be easily circumvented. Suppliers are motivated to comply to fulfill a buyer's requirements to get the order. In fact, one participant of the present study who works as an auditor revealed that a company will often maintain two sets of worker

records: one with actual wages and work hours and the other indicating wages and work hours that are acceptable by law. The latter are given to the auditors, who typically do not investigate the matter further if everything appears to be in order. It is also common for management to tell the workers what to say and what not say when auditors ask them questions, therefore workers do not say anything negative. In addition, just before the audit period the factory is often cleaned, minors are told not to come to work and false records are prepared. Many times auditors are also at fault, particularly those who accept bribes from companies. Thus, the audit process, which ideally is designed to ensure some measure of compliance, in reality does very little to that end.

CSR and Firm Size

This study found that most of the socially responsible apparel manufacturing firms in India are large in size and have the resources, such as specialized staff, to implement and maintain CSR activities. This finding supports Khan and Atkinson's (1987) argument that budget allocated to CSR is related to firm size. As Arpit explains, "Very few firms are socially responsible. They are all big ones. Big ones have the resources and money for CSR. These companies have [a] separate department which takes cares of all this [CSR]." Management at these firms may also see the benefits of implementing CSR as a result of being more aware of what CSR has to offer.

Kaufman, Ekalat, Nongluck and David (2004) and Perrinni (2006) suggest that businesses in developing countries think that CSR requires a major economic investment, and at the same time, are unaware of the economic gains resulting from CSR. The same can be said for the Indian apparel industry. Because most apparel factories in India are

small- or medium-sized, few have implemented CSR as part of their business practices. Lack of resources to implement CSR, little awareness regarding the benefits of CSR, and no information regarding the long-term economic benefits of CSR all are contributing factors according to participants.

Lozano and Murillo (2006) found that the core values of a firm's owner or managers drive its CSR practices, and especially in small companies. This was found to be the case in India as well. As Mansi points out, in small factories, it is the owners who have the ultimate power, in that their personal values and beliefs impact how the business operates. She explains, "In small factories, it is [a] one man show. Factories are operated entirely on owners' beliefs. If he believes in ethics, only then it can be implemented in business. Workers will do whatever [the] owner will say." In India, there is limited knowledge about what CSR can bring to a manufacturing business. If anything, there is the perception that implementing CSR requires a lot of time and money. As Dinesh explains, "They don't have that much of resources to experiment and implement [CSR]. So implementation takes some time, some patience and of course money of the owner. No one is ready to spend that much time because time is money."

Small suppliers must compete with big ones for buyers' orders, therefore, they must focus primarily on securing orders to make a profit. CSR is seen as a cost, and there is little interest in implementing anything new since the focus is on surviving the highly competitive market. Furthermore, as this study found, small apparel companies do not have sufficient resources to initiate CSR, they do not have staff specialized in implementing CSR activities, and owners and management do not generally have the

desire to invest the time and/or money in CSR. Companies do not provide good working conditions largely because they do not have the resources to provide such conditions. As Nelling and Webb (2009) posit, there is a relationship between profitability and engagement in CSR activities. In other words, a firm with good financial performance can devote more resources to CSR and vice versa. In the case of the small company, an initial investment in CSR is critical, yet most do not have the means to do so. Indeed, based on the observation data I collected, small companies operate in ways that would be illegal in the western world, with improper light, no ventilation and no sanitation. Yet without support from somewhere, either government or through incentives of some kind, it will be difficult to improve the situation.

The interpretation revealed that there is a great need to help make Indian owners and managers aware that CSR is beneficial for business as well as people, and that it does not necessarily require major financial investment. According to Vives (2006), an efficient way to encourage small firms to engage in CSR is to help them to understand that it does not necessarily mean a major financial commitment. For example, Anand explains that small things, such as interacting with employees in a respectful manner and providing a clean workplace can be considered being socially responsible: “Trivial things can make [a] difference. Ethical behavior of management towards workers. Keeping the factory clean. Small factories can do at least these things to be socially responsible.” Even if a company is small in scale, it can still focus on making the job and workplace better, and as Fassin (2008) points out, firm size does not necessarily have to relate to degree of CSR engagement. That is, CSR is less about formalization than it is about

having the core values that promote ethical practices. Based on the data collected for the present study, small companies in India perceive CSR to require major financial investment with little return, therefore it is important to educate owners and management that they can engage in CSR by doing relatively simple things, such as treating employees ethically.

This study found that even though large firms are engaged in CSR, the main motivation behind doing so is often to comply with a buyer's requirement in order to secure an order. This finding suggests that CSR and social compliance are actually two different things. According to participants, social compliance is often mandatory and required by buyers. In contrast, they view CSR as voluntary and think that a firm cannot be forced to be socially responsible. Perhaps this is why, as mentioned in Chapter I, some Indian factories seek out voluntary certifications, such as SA8000 and Worldwide Responsible Apparel Production, even though it is not required by the country's laws. Instead, such certifications are often required by buyers to ensure that a supplier is complying with particular standards. Once a manufacturer is certified, they have to maintain required standards based on that certification and could be penalized if they fail to do so. According to participants, such compliances are required operations in the apparel industry, whereas CSR, which promotes the general welfare of people, society, and the environment more broadly, is voluntary. As Ryan explains,

Social compliance is different and CSR is different, You can only force [a] manufacturer to follow social compliance, you can even punish them if they are not doing it. But you cannot force someone to do CSR. It is on them if they want to do it or not.

As this study reveals, Indian manufacturers view compliance and CSR differently. In contrast, in the west, compliance is fundamental to CSR. This finding points to an interesting opportunity for educating manufacturers about CSR, as it may be that CSR could become more prevalent in India if it is seen as a part of being compliant.

The Future of CSR

Participants frequently talked about how the Indian apparel industry faces many challenges to CSR implementation, but at the same time, they also suggested ways that manufacturers could go forward with CSR. Participants indicated that retailers, the government, and business owners should work together to enforce industry-wide CSR. As Mukesh explains, “To efficiently implement CSR, everyone has to work together and they all have to share responsibility, whether it’s manufacturers, buyers or management. One person cannot do everything.”

On the whole, participants felt that retailers are the key to implementing CSR in India and should therefore take the lead. Indeed, Linfei and Qingliang (2009) suggest that since the apparel industry is essentially a buyer-driven commodity chain, buyers have the greatest amount of control over what happens along the supply chain. Participants thought that retailers should work together with manufacturers to encourage them to be socially responsible. Instead of bargaining with suppliers for low prices and quick shipments, buyers should focus on encouraging and supporting manufacturers to implement CSR. Indeed, it was revealed in the interpretation that those manufactures who adhere to some measure of compliance do so not because they want to, but because of buyer requirements. As Shiv points out, “Only buyers can force factories to be socially

responsible. Manufacturers will do whatever buyers will ask them to do and this is true for even CSR.” As Manicandan, Mansingh, and Kumar (2006) point out, manufacturers are cutting labor costs not because of local labor regulations but because of retailer demands. Based on the findings of this study, the same can be said for apparel manufacturers in India. Similar to Welford and Frost’s (2008) findings with respect to Asian companies, Indian firms do not experience pressure from consumers to be socially responsible. Instead, if they are compliant it is because the retailers expect it.

Awareness of CSR is another major hindrance to its implementation in India today. Manufacturers, and especially the small ones, are not implementing CSR often because they do not even know what it is. As Ryan explains, “We can talk about CSR because we are educated and know about it. Small companies are not even aware about it.” Thus, there is a great need to educate companies about CSR, and because retailers are usually western companies and are therefore aware of the value of engaging in CSR, they could encourage their suppliers to be socially responsible.

Manufacturers do not typically get such encouragement from buyers, as the latter are primarily concerned with receiving the order on time. As Dinesh points out, “Buyers only want their shipment on time, if they get it on time, they are not worried about anything.” Oftentimes, buyers make last minute changes to an order, forcing manufacturers to work for long hours in order to execute it in a timely manner. Thus, it is important that, in addition to creating awareness, retailers place orders that are in line with factory capacity. Retailers could also ensure that they allow enough time for their suppliers to execute orders such that the workers do not suffer, and could be more

proactive about ensuring that the factories they enter into a contract with have acceptable working conditions.

Along with retailers, participants feel that the Indian government could play a very important role in implementing CSR within apparel factories. However, the government has yet to take any action in this regard. As Atif explains, “It has to be done by the government at the first stage. There is no one more powerful than government. [But] because of the political corruption it is not happening.” Most factory audits are requested by buyers, not the government. There are laws in India regulating minimum wage and work hours, but these laws are not generally followed because the government does not enforce them. As this study reveals, government support is critical for the implementation of industry-wide CSR in the Indian apparel industry.

In addition to retailers and the government, business owners play a central role in the implementation of CSR. Indeed, if business owners are not convinced about the benefits of CSR, then it is unlikely that CSR will be implemented. As Meena points out, “I think owners of the factories are also very critical in improving the conditions. Unless these owners have a vision or they are ready to implement CSR, nobody else can do it. It has to come from within them.” In other words, CSR must be a part of the owner’s and management’s vision for the company. Likewise, participants believe that CSR must be voluntary, in as much as they think that owners and management should step up and take the initiative to integrate CSR as a core company practice.

Through the combined efforts of buyers, government and business owners, CSR can become a reality in the Indian apparel industry. However, as will be discussed in the

next section, unless manufacturers understand CSR, they cannot work towards achieving this reality. The short- and long-term economic benefits of CSR must be understood by business owners and management. Creating awareness of CSR, whether through workshops, training sessions, or explicit regulations, is instrumental in order to change the culture of the Indian apparel industry such that it becomes more socially responsible.

Implications

Theoretical Considerations

In this section, the findings of the study are examined relative to the two main theoretical points of departure discussed in Chapter II: The Normative Stakeholder Theory and the Three Domain Model of CSR. As discussed in Chapter II, Normative Stakeholder Theory (NST) posits that firms have a greater responsibility towards their stakeholders than just maximizing profits. According to NST, firms should integrate ethical and moral guidelines into their everyday business operations, such as the ethical treatment of employees and adherence to laws designed to protect employee welfare.

As this study found, Indian manufacturers need to integrate ethical and moral guidelines into their daily business practices. For example, Meena states, “Indian apparel factories should definitely follow ethics. I see no reason why anybody should not do it.” Participants emphasized the idea that companies should not only focus on profits, but should give back to their employees, to society and to the environment in some way. That is, employee well-being, social concern, and environmental stewardship should be integral to a company’s normal business operations. Many participants even felt that corporations should do so without the intention of economic gain. As Punit explains,

“CSR is something which is out of your work. You have no intention of an economic gain.” It can therefore be concluded that participants’ views of CSR in the context of the Indian apparel industry are in agreement with the Normative Stakeholder Theory, and therefore similar to how NST is typically employed in developed economies.

Although the participants’ view of CSR aligned with NST, the realities of the Indian apparel industry are quite different. As participants shared, factory owners and management do not generally support CSR, and few firms have an established CSR policy or engage in CSR activities. Thus, there is a stark contrast between the views on CSR held by the participants in this study and the actual activities of apparel firms, a contrast that is much more apparent in India than in developed economies.

The Indian apparel industry is very fragmented and is comprised of mostly small- and medium-sized firms, which, as this study revealed, generally do not integrate social responsibility into their business practices. For instance, Anand states, “Most of the Indian factories are not [socially responsible]. Very few of them are. I can count them on fingers. All of them are large firms. I do not know any small firms talking about CSR or implementing it.” Relationships between the typical small firm and its employees are not necessarily based on an ethical or moral commitment. Such firms are mainly concerned with making a profit by utilizing the workforce as much as possible. This points to an interesting dichotomy, as one would think that the smaller the firm, the more tight knit the organization (thereby improving employee welfare). Thus, it can be concluded that because most Indian apparel firms are small and medium sized and they are not generally

engaging in CSR, core company values do not emphasize the fundamental components of NST.

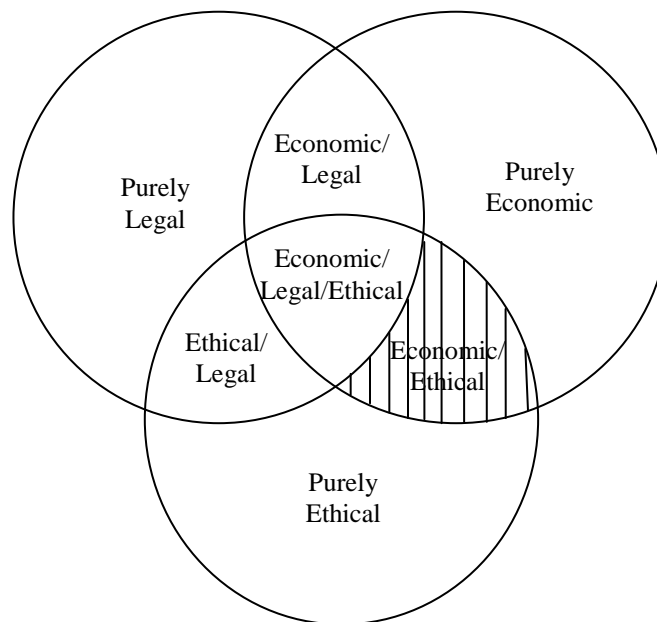
Some participants, like Anand, mentioned that larger firms in the Indian apparel industry are more likely to implement CSR. This could be due to the availability of resources that could be used for CSR activities, and/or ownership/management having an outlook that is in agreement with Normative Stakeholder Theory. Yet many participants described how those large firms that do implement CSR do so to meet buyer requirements rather than as a reflection of core company values. Based on the participants' responses, it can be concluded that larger firms in the Indian apparel sector may implement CSR activities more often than the typical small or medium sized company, but it is generally to comply with buyer requirements and not necessarily a reflection of the spirit of NST.

It is also important to consider the scope of the term “stakeholder” when it is used by participants as compared to how it is defined in Normative Stakeholder Theory. As described in Chapter II, the commonly accepted use of the term “stakeholder” refers to employees, management, local communities, customers, suppliers and shareholders (Fontaine, Haarman & Schmid, 2006). In contrast, participants' use of the term “stakeholder” was much narrower, referring mainly to employees and the local community, with emphasis being placed on the former. Consequently, the core values of NST would be applied in a more limited fashion with respect to CSR in India.

In this study, participants talked about several kinds of CSR activities engaged in by Indian apparel companies. As discussed in Chapter II, in the Three Domain Model of

CSR, Schwartz and Carroll (2003) outline three primary domains of responsibility: economic, legal, and ethical. The authors, however, suggest that these three domains overlap, resulting in seven possible types of CSR-related responsibility, including: purely economic, purely legal, purely ethical, economical/ethical, economical/legal, legal/ethical, and economic/legal/ethical.

Figure 8. The Three-Domain Model of Corporate Social Responsibility



Source. Adopted from “Corporate Social Responsibility: A Three-Domain Approach,” by M.S. Schwartz & A.B. Carroll, 2003, *Business Ethics Quarterly*, 13(4), pp. 503-530.

As revealed in the interpretation of data, most of the CSR-related activities cited by participants as taking place in Indian apparel firms focus on people, society, or the environment. Many of these activities therefore lie within the “Ethical” domain of Schwartz and Carroll’s (2003) model. However, participants emphasized the importance of CSR for economic gain, or in other words, they think that the economic benefits of

CSR must be obvious before apparel manufacturers will implement it. They emphasized the expectation that it will provide some kind of economic benefit beyond the ethical. As a result, most CSR in India is driven by a combination of economic and ethical concerns (see Figure 8). It is interesting to compare this finding with the wide variety of CSR activities undertaken by firms in developed economies, which are relatively well distributed among the various domains outlined in Schwartz and Carroll's (2003) model.

CSR efforts related to employee well-being were the most critical to participants, in that many felt that the employees are a firm's most valuable asset, therefore it is important that a company takes care of them. As Mukesh states, "Employees are most important in a firm. They play [an] important role towards [a] firm's success. If they will not work properly, then [a] firm cannot grow and be successful. It is very important to take care of the employees." Participants also pointed to the economic benefits associated with employee well-being, in that companies that are socially responsible are more likely to have employees who are highly motivated and work efficiently. In addition, good working conditions and the ethical treatment of employees directly impacts turnover, in that employees are less likely to leave. Participants feel that one of the major benefits of CSR is high employee retention and an increase in employee efficiency, which combined means economic benefits for the firm.

Activities related to employee well-being are also ethical, in the sense that firms are engaging in activities that provide benefits to employees, such as job training, events that focus on community building, and education about health and safety. As Divya explains, "The most important activity is that a company should work for employee

welfare. It is the employees who give business to the company. So it is the responsibility of the company to take good care of their employees.” At the same time that such efforts are ethical and enhance employee well-being, they also provide economic benefits to the company through a stronger commitment to the company on the part of employees. Some participants think that being socially responsible enhances the company’s brand image, which can also result in greater economic benefits. A positive company image helps manufacturers get repeat orders from retailers, which, in turn, positively impacts the economic growth of the business. Thus, while such CSR activities are ethical in nature, they also serve to result in economic gain, whether directly or indirectly. This may be why participants emphasized the need to associate CSR with economic gains, and felt that being socially responsible can ultimately be profitable.

CSR activities cited by participants focused on society at large also lie in Schwartz and Carroll’s (2003) “*economic/ethical*” domain. One such example would be the training courses offered to unskilled laborers by one manufacturer in a local community. Such courses provide people in the community with valuable skills. Yet, the company also benefits, in that though the newly trained laborers were not forced to work for the company, the training ultimately provided a large trained labor pool. Furthermore, such projects receive publicity in the media and thereby enhance a company’s reputation as socially responsible, which has its own benefits, as described above.

Environment-focused CSR activities also lie in Schwartz and Carroll’s (2003) “*Economic/Ethical*” domain. For example, one of the participants noted that because the factory he worked at generated waste water, it decided to build an effluent treatment plant

to help reduce the chances of contamination of the water around the factory. This action may appear to be truly ethical in nature but can have an economic benefit for the factory as well. As the chances of contamination of the water decrease, so do the chances that the employees of the factory, who probably live near it and consume water from the nearby water sources, would become ill and therefore be unable to work.

Participants cited some instances of CSR that lie in the “Purely Ethical” domain of Schwartz and Carroll’s (2003) model. In contrast to the aforementioned “Ethical/Economic” domain activities, which were aimed at three stakeholders--employees, society, and the environment--the CSR activities of the “Purely Ethical” domain were aimed at society at large. One of the participants described how a company provided all the proceeds from the sale of waste generated at its factory to an NGO. It is difficult to identify an economic benefit stemming from such an activity, therefore it is considered a “Purely Ethical” example of CSR. Another participant described how a factory ignored the buyer’s orders to destroy surplus merchandise, citing widespread poverty in India and the fact that millions of Indians are not able to afford new clothes. Here too, the ethical nature of the activity is clear, and little, if any economic benefit can be seen.

It is important to note the absence of CSR activities that would lie in the “Ethical/Legal,” “Economic/Legal/Ethical,” “Economic/Legal” or “Purely Legal” domains of Schwartz and Carroll’s (2003) model. This absence can be ascribed to the country’s nascent regulatory framework, overburdened judiciary system and lax policing of factories, all of which are common in a developing economy such as India. This study

reveals that it is likely because of the fragmented nature of the apparel industry and lack of resources in the country that the majority of its CSR activities lie in the “Ethical/Economic” domain. This focus may change as India develops its economy and as CSR becomes more widespread throughout the global industry.

Practical Recommendations

As discussed earlier, participants see several major hurdles to industry-wide CSR implementation in India, including: tight production deadlines, management and owners who are reluctant to change, lack of buyer support, competitive export market, lack of worker education, and a faulty audit process. Participants think that these hurdles can be overcome by the combined effort of retailers, government and manufacturers. This section offers some recommendations for moving forward with this effort based on the results of the study.

One of this study’s key findings is that participants think that the implementation of CSR should be a joint effort led by retailers. This is because retailers are the most powerful stakeholder in the apparel supply chain. In the Indian apparel industry, manufacturers comply with standards not because it is expected by consumers or the government but because it is required by most of the buyers. It is obvious from the findings that retailers are dominant in the apparel supply chain. At the same time, however, participants think that the Indian government could be a very powerful force for change, but that it is currently hampered by political corruption. Ultimately, the manufacturers are the ones who run the factories, therefore it is important that they are motivated to implement CSR.

The apparel industry is labor intensive. Due to retailer demand along with competition from other developing countries, Indian manufacturers are continuously working under enormous pressure to produce and deliver goods quickly. This often results in CSR being ignored. By working together, retailers and manufacturers can overcome this challenge. For instance, retailers need to be more proactive about determining the capacity of the manufacturer before they place an order. Based on the manufacturer's capacity and the magnitude of the order, both retailer and manufacturer should then discuss a reasonable production timeline. Although retailers are dominant in the apparel supply chain, manufacturers need to be more vocal about the time required to execute an order, rather than just agreeing to whatever the retailer demands. In a case where retailers make last minute changes to the order, the manufacturer should be given additional time. Working together this way could result in a more ethically-driven production process, wherein human resources are not abused.

One of the key concerns raised by participants is that business owners and management adhere to current practices and tend to avoid implementing new ideas like CSR. However, it is possible that manufacturers are not even aware of CSR. Moreover, many small firms see CSR as an additional cost and lack information about its economic benefits. Thus, going forward it is very important that manufacturers become aware of CSR and its benefits. This awareness could be achieved through a joint effort by the government and retailers. Seminars and workshops could be offered to manufacturers designed to create a better understanding of CSR, and manufacturers could encourage their management and employees to attend such workshops.

Socially responsible firms are not being recognized or rewarded in India, and this may be hindering the expansion of CSR within its apparel sector. According to the participants, in order to promote CSR there is a need to reward or recognize socially responsible firms because this will not only motivate the responsible firm to do more, but will also make it a role model for other firms. There are several professional associations in India, such as the Clothing Manufacturers Association of India (CMAI) and the Apparel Export Promotion Council (AEPC). These associations could be used to promote the benefits of CSR as well as offer incentives for being socially responsible, such as industry recognition for CSR activities.

As small Indian manufacturers lack the resources that larger firms have for CSR implementation, retailers and government could share the cost of CSR implementation with them. Likewise, because India is a developing country, the reality is that its apparel industry is not at the point where it can spend money on CSR activities that do not result in financial gains of some kind. Because most buyers represent western retailers, they have greater knowledge of what CSR means, including its domains (Schwartz & Carroll, 2003). Thus, they could take the lead in developing CSR opportunities that are both ethical and economically beneficial and share these opportunities with their Indian suppliers.

Admittedly, it is difficult for buyers to keep track of actual working conditions in the factories due to a flawed audit process. Very rarely do buyers visit their suppliers. Instead, they hire independent auditing firms to perform audits for them. As discussed, these audits are always announced, which provides ample time for manufacturers to

prepare the factory for the visit. Often this preparation involves forging compliance documents and hiding any non-compliant activity. The Indian government does not enforce even basic workplace laws, and few buyers actively seek to find out whether their products are being made within good working environments. Manufacturers are in a race to secure orders and survive the market, which means they try to find a way around compliance. For the effective implementation of CSR, the Indian government must understand the importance of its potential role. Retailers are often at great distances from the manufacturer, but the government is right there within the country. Thus, it is easier for the government to monitor factory working conditions. Moreover, the Indian government understands the kind of resources that manufacturers have access to, and could provide education about how to be socially responsible given what they have. In addition, the government currently does little to require protection of the environment. Education and incentives for things like effluent treatment plants would go a long way toward companies having the knowledge and the means to be socially responsible.

Finally, retailers could make the extra effort to ensure the presence of CSR activities in factories. They could ask that auditing firms conduct surprise audits, as this will help the retailer understand what is really happening at its supplier. If it is the case that the supplier is not actually compliant, then the retailer should work with the supplier to help it become compliant, rather than stop doing business with it. This would send the message that compliance is more than just for show, rather, it is something that should be a part of the supplier's everyday business practices. At this stage, Indian manufacturers need encouragement more than punishment.

In the literature, the concept of CSR is based on the business practices of developed countries and suggests that an organization has certain responsibilities which are beyond the economic (McGuire, 1963). For example, legal responsibility is an important category of CSR (Carroll, 1979) and without it the effective implementation of CSR is not possible. However, it is clear from this study that the legal system in India is not equipped to enforce non-compliance and even less able to require CSR in an industry like apparel. Ultimately, it may become necessary for the government to be more involved in the regulation of this industry so that CSR can be an everyday part of business practice.

Unlike in the west, Indian manufacturers view CSR and social compliance separately. Social compliance regulates human rights issues such as workplace health and safety, child labor, working conditions and hours, and forced labor and is often required by retailers. Participants believe that a firm can be forced to adhere to social compliance regulations but not to CSR. For example, the minimum working age in India is 14 years old. When a retailer places an order with a supplier they provide them with a compliance manual which indicates the minimum age for an employee based on the national law. However, in India, this law is not monitored by the government. Retailers must therefore rely on an auditor to determine whether the factory is in compliance. In a case where a child under the age of 14 is found working in a factory, the retailer punishes the manufacturer by withdrawing the order. Retailers do not have any legal means of penalizing, so withdrawing orders is the only action they can take. Thus, the manufacturer sees social compliance as mandatory and believes that it can be punished if

it fails to comply. On the other hand, CSR is seen as voluntary, and so they believe that a manufacturer cannot be punished for not implementing it. There is an obvious need to educate Indian manufacturers that social compliance is a part of CSR and that the two should not be viewed as distinct entities. Indeed, it is evident from the present study that there is inconsistency in terms of understanding CSR between the east and the west, which is likely affecting the implementation of the concept in developing countries like India (Van Mareewijk, 2003).

Limitations and Suggestions for Future Research

This study offers significant contributions to our understanding of CSR. Indeed, it is one of the first studies to investigate CSR in India and to examine the perceptions of apparel manufacturers. Yet this study also has several limitations that could be addressed in further research on CSR and the global apparel industry.

The findings of this study are based on responses collected from a limited geographical area, specifically New Delhi and the NCR (National Capital Region). Although New Delhi is the national capital and hub of the apparel industry in this part of India, future studies should focus on other regions of India such as Bangalore and Mumbai. Every state in India has a different culture which translates differently within the work environment. Thus, more studies on CSR throughout India will provide depth to the findings of the present study.

This study provides an in-depth look at perceptions of CSR specific to manufacturers in the Indian apparel industry. There are, of course, many other stakeholders involved in the apparel production process. Although this dissertation

provides a much needed starting point, expanding the scope to include other stakeholders will lead to a more comprehensive picture of CSR. Buyers are important stakeholders in the apparel supply chain. Although manufacturers provide a glimpse into buyers' actions relative to CSR, research that examines the perspective of buyers sourcing from India would provide a much more holistic picture. For example, exploration of the extent to which retailers are ready to support CSR activities in India is needed. Similarly, future studies should examine perceptions of CSR among governmental agencies, Non-Governmental Organizations (NGOs) and trade unions. Research focusing on understanding CSR from different stakeholder perspectives will help to better articulate its importance for addressing ethical concerns throughout the global apparel supply chain.

This study contributes to the extant CSR literature by examining its role in a critically important industry for India, apparel, and moves beyond the traditional focus on developed economies. Although some of the findings of this study may be applicable to other developing countries, due to the variety of factors that affect the perception of CSR in an industry and a particular country, it is important to conduct similar studies in other developing countries with large apparel manufacturing sectors, such as Bangladesh, Sri Lanka, Pakistan, Mexico, and Guatemala. By focusing on the apparel industry in these countries, such studies will help to reveal more and varied perceptions of CSR.

This study provides a comprehensive investigation of CSR in the Indian apparel industry from the point of view of employees. Future studies can expand on the findings of the current study by including perceptions of CSR among business owners and/or executives. Considering the relatively higher level of influence wielded by these

individuals, their perspectives about CSR would reveal a great deal as to its future in this industry. As they are one of the keys to CSR implementation, such a study would shed light on what it will take to make CSR a reality within the apparel industry in India.

Despite the growing demands for corporate social responsibility, little research has been done to understand its role in a developing country like India. India has emerged as a crucial player in the global apparel supply chain and is a major hub of apparel production. This study is one of the first to focus specifically on the labor intensive apparel industry as a context for CSR and to examine what CSR means in India today. As such, it provides a real-world understanding of the benefits and challenges involved in implementing CSR in a non-western country, while pointing to the need for more research on the importance of CSR throughout the global apparel supply chain.

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APPENDIX A
INTERVIEW SCHEDULE

1. Please discuss what your company does.
2. What is your job/position?
3. Tell me about a typical day. Describe your role in the production process.
4. What is corporate social responsibility to you?
5. What activities do you associate with CSR? What does your company do that is CSR related?
6. In your opinion, is corporate social responsibility important to Indian factories? Why or why not?
7. What are the most important CSR activities for Indian factories? How would you rank these activities – most important to least?
8. Do you think Indian apparel factories are being socially responsible? Why or why not?
9. What are the benefits - both short and long term - of engaging in CSR?
10. What are the challenges and threats of engaging in CSR?
11. Who has more power to oversee CSR in the global apparel supply chain? Suppliers, retailers, Indian government, NGO, labor unions, consumers, etc?
12. What might be done to implement corporate social responsibility in the global apparel industry?
13. Do you think apparel factories should follow moral and ethical guidelines in their business practices? Why or Why not? If so, what might some examples be from your company?
14. Do you think CSR is important for SMEs in India? Why or Why not?
15. Do you think Indian apparel factories should follow international CSR standards and guidelines or those specific to India? What are pros and cons of doing so?

16. Do you think it is a good idea to punish some firms and reward others based on whether or not they are socially responsible? Why or why not?
17. Do suppliers have an economic obligation to implement CSR? Ethical? Legal? or philanthropic obligation? Explain.
18. How might corporate social responsibility in the Indian industry be implemented?
19. Who regulates standards in Indian factories?
20. Who should regulate standards in Indian factories?
21. Do you think retailers should be held responsible for monitoring and controlling their production?
22. Is there anything else that you would like to say about corporate social responsibility in the global apparel industry that we did not talk about?

APPENDIX B

IRB CONSENT FORM

UNIVERSITY OF NORTH CAROLINA AT GREENSBORO

CONSENT TO ACT AS A HUMAN PARTICIPANT: LONG FORM

Project Title: Indian Perceptions of Corporate Social Responsibility in the Apparel Industry

Project Director: Dr. Nancy Hodges

Participant's Name: _____

What is the study about?

This is a research project. The purpose of this study is to understand Indian perceptions of corporate social responsibility and practices having to do with corporate social responsibility within the global apparel industry.

Why are you asking me?

I am asking you to participate because as an Indian, your perspectives on corporate social responsibility in the apparel industry will provide unique insight into the topic.

What will you ask me to do if I agree to be in the study?

You will be asked to be interviewed regarding your perceptions of corporate social responsibility in the global apparel industry. On agreement to be interviewed, the interview will last approximately 1-2 hours. I will also ask you to be available for a review of your interview transcript once complete. This review will take approximately 1 to 2 hours.

Is there any audio/video recording?

Digital audio recording will be used to ensure reliability of data collected and to capture your perceptions and expectations towards corporate social responsibility. Because your voice will be potentially identifiable by anyone who hears the tape, confidentiality for things you say on the tape cannot be guaranteed, although the researcher will try to limit access to the tape as described below.

What are the dangers to me?

The Institutional Review Board at the University of North Carolina at Greensboro has determined that participation in this study poses minimal risk to participants. As stated above, there is a slight risk of a breach of confidentiality. Measures that will be implemented to minimize this risk are described in the confidentiality section below. If you have any concerns about your rights or how you are being treated please contact Eric Allen in the Office of Research and Compliance at UNCG at 01-336-256-1482. Questions, concern or complains about this project or your benefits or risks associated with being in this study can be answered by Dr. Nancy Hodges who may be contacted at 01-336-256-0291 or njnelson@uncg.edu or Megha Gupta at 01-713-492-1137 or m_gupta2@uncg.edu.

Are there any benefits to me for taking part in this research study?

There are no direct benefits to participants of this study.

Are there any benefits to society as a result of me taking part in this research?

Your participation may help to shed light on what Indians think about corporate social responsibility in the global apparel industry.

Will I get paid for being in the study? Will it cost me anything?

There are no costs to you or payments made for participating in this study.

UNCG IRB
Approved Consent Form
Valid 1/20/12 to 1/11/13

How will you keep my information confidential?

Consent forms will be stored in a locked file cabinet in the Principal Investigator's campus office, audio files will be password protected, and participants will not be identified by name when data are disseminated. All information obtained in this study is strictly confidential unless disclosure is required by law. Consent forms will be kept for three years after the close of the study and destroyed by shredding. Audio files will be kept password protected on the student researcher's home computer for a minimum of five to a maximum of seven years upon completion of the study, after which point the files will be erased. There will be a file linking participants' identities to pseudonyms that will be used in published materials. This file will be kept separate from the data and will be erased no more than seven years after the close of the study.

What if I want to leave the study?

You have the right to refuse to participate or to withdraw at any time, without penalty. If you do withdraw, it will not affect you in any way. If you choose to withdraw, you may request that any of your data which has been collected be destroyed unless it is in a de-identifiable state.

What about new information/changes in the study?

If significant new information relating to the study becomes available which may relate to your willingness to continue to participate, this information will be provided to you.

Voluntary Consent by Participant:

By signing this consent form you are agreeing that you read, or it has been read to you, and you fully understand the contents of this document and are openly willing consent to take part in this study. All of your questions concerning this study have been answered. By signing this form, you are agreeing that you are 18 years of age or older and are agreeing to participate, or have the individual specified above as a participant participate, in this study described to you by Megha Gupta.

Signature: _____ Date: _____

UNCG IRB
Approved Consent Form

Valid 1/20/12 to 1/18/13